

EXPLANATORY MEMORANDUM TO
THE PENSIONS DASHBOARDS (AMENDMENT) REGULATIONS 2023

2023 No. [XXXX]

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of His Majesty.

2. Purpose of the instrument

- 2.1 Pensions dashboard services will allow consumers to view their various pensions, including the State Pension, in one place online. This will help reconnect savers with lost or forgotten pension pots and help to support better planning for retirement. This instrument makes amendments to the Pensions Dashboards Regulations 2022¹ (“the 2022 Regulations”) which came into force on 12 December 2022. It introduces a single “connection deadline” of 31 October 2026 for relevant pension schemes to connect to pensions dashboards, and removes the staging profile, staging deadlines, connection windows and the concept of ‘early’ connection.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

4. Extent and Territorial Application

- 4.1 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales and Scotland.
- 4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales and Scotland.

5. European Convention on Human Rights

- 5.1 The Secretary of State for the Department for Work and Pensions, Mel Stride, has made the following statement regarding Human Rights:

“In my view the provisions of the Pensions Dashboards (Amendment) Regulations 2023 are compatible with the Convention rights.”

6. Legislative Context

- 6.1 Schedule 2 (the staging profile) of the 2022 Regulations sets out the order by which different cohorts of schemes (categorised by size and type) must connect to pensions dashboards. This instrument amends the 2022 Regulations to remove the staging profile and replace it with a single connection deadline by which relevant pension schemes must be connected to pensions dashboards.

¹ <https://www.legislation.gov.uk/uksi/2022/1220/contents/made>

7. Policy background

What is being done and why?

- 7.1 The Pensions Dashboards Regulations 2022 require trustees or managers of relevant pension schemes to connect their scheme to the digital architecture of pensions dashboards.
- 7.2 The Pensions Dashboards Programme, under the supervision of the Money and Pensions Service, is responsible for delivering the digital architecture which underpins pensions dashboards. Since the 2022 Regulations came into force on 12 December 2022, the Pensions Dashboards Programme has confirmed that the digital architecture will not be ready to facilitate the connection of pension schemes in time for the first connection deadline in the staging profile of 31 August 2023.
- 7.3 The Minister for Pensions subsequently issued a Written Ministerial Statement² in March 2023, which announced the delay and set out that the Pensions Dashboards Programme would be reset to get it onto a path for successful delivery, and the Department for Work and Pensions would legislate at the earliest possible opportunity to provide certainty to schemes.
- 7.4 This instrument uses powers in the Pensions Act 2004³ to amend the 2022 Regulations to deliver a single connection deadline of 31 October 2026 for all schemes in scope. This date has been informed by the ongoing work of the reset team to develop a new timeline for delivery. Furthermore, the provision requiring trustees and managers of relevant pension schemes to have regard to guidance on connection has been expanded to also allow the Department for Work and Pensions to issue such guidance, solely, or alongside The Pensions Regulator and/or the Money and Pensions Service. This guidance will support schemes with the connection process.
- 7.5 This instrument retains time for testing of the service ahead of dashboards being launched to the public and curtails the period of uncertainty for trustees and managers of schemes in scope. To ensure pensions dashboards services can be launched to the public as soon as possible, the Money and Pensions Service and The Pensions Regulator will communicate with trustees and managers of schemes in scope to encourage connection ahead of the single connection deadline, in line with the connection dates set out in guidance.
- 7.6 This instrument amends the requirements on trustees or managers to reflect the removal of connection windows and the removal of the process by which trustees or managers could apply for early connection as Schedule 2 has been revoked.

8. European Union Withdrawal and Future Relationship

- 8.1 This instrument does not relate to withdrawal from the European Union or trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

- 9.1 This instrument does not give rise to any need for consolidation measures.

² <https://questions-statements.parliament.uk/written-statements/detail/2023-03-02/hcws594>

³ <https://www.legislation.gov.uk/ukpga/2004/35/part/4/crossheading/pensions-dashboards>

10. Consultation outcome

- 10.1 The Department for Work and Pensions conducted a targeted consultation with representatives across the pensions industry during April and May 2023. This included a range of pension schemes, third party administrators, integrated service providers, pensions lawyers, and industry groups.
- 10.2 The Department for Work and Pensions' policy to compel relevant pension schemes to connect to the Money and Pensions Service, and the use of a staged approach, were posed as part of the December 2018 consultation "Pensions dashboards: Working together for the consumer"⁴, where there was broad agreement on this course of action. The staging profile was set out in the January 2022 consultation on the draft 2022 Regulations⁵. This instrument removes the staging profile from the 2022 Regulations and guidance will be published to support schemes with the connection process, including suggested connection dates. Trustees and managers must have regard to such guidance. Through this instrument, the Department for Work and Pensions is retaining the policy of compulsory connection by a set date and intends to encourage a staged approach set out in guidance, rather than mandated in Regulations. A targeted approach to consultation has been taken to focus specifically on these changes.
- 10.3 This consultation also sought views on the factors which should be considered when amending the connection dates, including any other regulatory requirements, or competing priorities. It also asked whether connecting later than required in the 2022 Regulations would create additional costs, and where these costs would arise.

11. Guidance

- 11.1 Guidance on connection is expected to be published in due course.

12. Impact

- 12.1 The impact on business, charities or voluntary bodies is estimated to be £687.9 million (discounted to present value), over 10 years from 2022-23 until 2031-32 under the central scenario. These costs are driven by around £324.0 million upfront costs in the first two years during the transition and then broadly level off at around £80 million per year (undiscounted). For this remaining period and going forwards overall monetised benefits (mainly to consumers) are expected to outweigh costs. The net present value of the policy over ten years is positive at £173.8 million. The net benefits are expected to increase after the ten-year period.
- 12.2 The impact on the public sector of delivering and regulating the Pensions Dashboards Programme (PDP) are £251.4m over 10 years in present values from 2022/23 to 2031/32. The most significant costs to the public sector are the PDP costs (84% of costs), which includes the provision of the digital architecture and the identity service solution.
- 12.3 A full Impact Assessment is submitted with this memorandum and published alongside the Explanatory Memorandum on the legislation.gov.uk website. To note,

⁴ <https://www.gov.uk/government/consultations/pensions-dashboards-feasibility-report-and-consultation/pensions-dashboards-working-together-for-the-consumer>

⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1051798/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022.pdf

the impact assessment for the 2022 Regulations has been updated to take account of the new timing and approach to the connection of pension providers to dashboards. This impact assessment (and the figures quoted in paragraphs 12.1-12.3) is for the policy overall, rather than just the likely outcome of amending the 2022 Regulations.

13. Regulating small business

- 13.1 The legislation applies to activities that are undertaken by small businesses. To minimise the impact on small businesses (employing up to 50 people), the requirements do not apply to occupational pensions schemes with fewer than 100 relevant pension scheme members. Comprehensive guidance around connection will be provided to further ease the burden on trustees or managers.
- 13.2 The impact on small business is estimated to be around £166 million (discounted to present value) over 10 years under the central scenario. The costs facing small pensions providers break down as around £78 million for the upfront transitional period and £88 million for the ongoing elements over 10 years. As we do not have information on the number of employees per provider, we have defined the size of providers using their membership size.

14. Monitoring & review

- 14.1 The Small Business, Enterprise and Employment Act 2015 requires that a Minister must make a “provision for review” clause in secondary legislation when regulations have significant regulatory impact or publish a statement explaining that it is not appropriate in the circumstances to make provision for a review clause.
- 14.2 Instead of a provision for review, the approach to monitoring of this legislation is to put in place a multi-strand evaluation strategy, the details of which are being explored. This will be developed alongside the PDP, the Financial Conduct Authority, and the Pensions Regulator, to ensure the critical success factors can be successfully tested with learning helping to further develop dashboards over time. Our plans include: a longitudinal quantitative survey to monitor outcomes from dashboard usage; qualitative research with consumers to explore dashboard use; qualitative research with the pensions industry; estimating changes in number and value of lost pension pots; and monitoring information provided by dashboard providers (i.e., the Money and Pensions Service dashboard, and qualifying pensions dashboard services).

15. Contact

- 15.1 Mary Zvobgo at the Department for Work and Pensions mary.zvobgo@dwp.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Simon Boniwell, Deputy Director for Pensions Strategy, Guidance and Dashboards, at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Laura Trott, Parliamentary Under Secretary of State at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.