**Pension Dashboard Programme Call for Input on Working Papers on Data Standards**

**Response from Nest Corporation**

# 1 About us

Nest was established in 2010 as part of the auto enrolment programme to help people save for retirement. Unlike any other pension scheme in the UK, Nest has a legal obligation to accept any employer that wishes to use us to discharge their auto enrolment obligations. Over 830,000 employers have signed up to use Nest.

Over the last decade, Nest has grown to be one of the largest pension schemes in the UK. We are operating at scale as a high quality, low cost pension scheme helping over 9.3 million members save for their retirement. Many are low to moderate earners who may be saving into a pension for the first time.

Nest is built around the needs and behaviours of our members, from our approach to responsible investment to our focus on customer service. We now occupy a place in the market as a major Master Trust, helping to drive up standards and best practice across the industry. Nest has great potential for delivering pensions to mass market consumers for many years to come, leveraging our scale to deliver value through the combination of low costs, our market leading investment strategy and modernised services all overseen by strong trustee governance.[1]

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[1] Employer and member numbers correct as of 17/08/20, Nest in Numbers

**1. Name** Georgia Smith

**2. Organisation** Nest Corporation

**3. Email address** georgia.smith@nestcorporation.org.uk

**4. Are you happy for your responses to be made public?** Y

# 2 Response

## Introduction

With the right governance, design and consumer protections in place, a Pensions Dashboard has great potential to improve engagement and outcomes for savers and to deliver further modernisation to the sector. Nest is actively working with the Pensions Dashboards Programme (PDP) to help shape what promises to an important innovation for the industry.

## Data Scope Working Paper

**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.**

We are aware the Nest Members Panel feel strongly that the dashboard should be comprehensive from day one and that we recognise that this is the far preferable outcome. We agree that the objectives of the dashboard will best be met if it is as comprehensive as possible from the outset and, like the Members Panel, Nest Corporation encourage the PDP to retain comprehensive coverage as a clear objective.

However, we do not underestimate the challenge this presents to the industry. Experience from Denmark shows that the delivery of a dashboard involving several large schemes can create the momentum required for others to follow. It is also important that the delivery of the dashboard is not delayed whilst waiting for every scheme to comply.

We would therefore support a model with lower coverage on a temporary basis provided that coverage included the state pension and the major public and private providers.

In terms of member perspectives on this question, we would expect our members' views to be consistent with those expressed by participants in the study informing the 2017 Pension Dashboard Research by 2CV[2], which found a low tolerance for incomplete dashboards.

2CV research participants were sceptical about a dashboard that is not as useful as they expect it to be. This in turn poses reputational risks for any providers that are missing from dashboards. A sparsely populated dashboard could lead people to feel more mistrustful and confused about their pensions which would be at odds with the goals of the project.

A high level of coverage, both in terms of number of entitlements and all the major public and private providers, is critical for the consumer utility of dashboards. The answer to the question of proportionality

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[2]**https://masassets.blob.core.windows.net/cms/files/000/000/837/original/Final_2CV_report_MAS_branded_for_website__23.10.2017.pdf**

lies in the 2CV research, which concluded that there is a greater risk in launching an incomplete dashboard than a delayed one.

### 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?

This question would be difficult for our members to answer in the abstract because people do not have access to comprehensive dashboards now, so there is little they can anchor their experience to. It's conceivable that younger people, who may have least use for dashboards in the short term, may be prepared to wait longer than individuals who are approaching retirement and for whom a complete picture of pension savings and benefits is more salient.

We have not conducted dashboard-specific research with our Nest Online Community to date[3], but we are willing to explore opportunities to work with the PDP to make use of the Nest Online Community for user testing as the project develops.

We would also like to express support for the PDP's commitment to undertaking extensive user testing, particularly on assurances that user behaviours are fully understood and mitigated before the dashboard is made available to the public. A robust pilot assessing behavioural responses to informed choice will be critical to understanding how consumers interact with dashboard information. We welcome the amendment to the Pensions Bill in support of a full year of a publicly run service, launched by the Money and Pensions Service, and followed by a report to Parliament before any expansion of services to commercial operators.

### 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?

Younger savers are more likely to be saving with auto enrolment providers – more than half of Nest members are under the age of 40 and a quarter are under 30.[4] Selecting a subset of master trusts would likely produce higher coverage amongst younger savers. It's less clear that this population would be the most inclined to access the dashboard.

Members who are 'approaching retirement' are under-represented in Nest's population compared to the UK working population.[5] A dashboard focussed on onboarding master trusts would disproportionately exclude pension entitlements held by older savers. 54 per cent of Nest members say that they have more than one pension; this increases to 74 per cent for Nest members over the age of 50.[6] Of the older members that are saving with Nest, typically more than one in three has activated their online account[7], suggesting they are amongst the more engaged savers for whom dashboards could have the greatest use.

Prioritising State Pension and then a combination of the largest schemes by membership and public sector pension schemes during dashboard staging would produce wide coverage from early on.

### 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

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[3] The Nest Online Community has 2103 registered members.

[4] Nest Scheme MI, June 2020

[5] Nest 2019 Fresco Analysis

[6] Nest Voice of the Customer, Q1 2020/21 member survey: "How many UK pension schemes, if any, do you have in addition to your Nest pension? This can include any pension schemes you have with previous employers and/or any personal pension schemes you may have set up yourself."

[7] Compared to one in four of the total Nest population

## 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?

Individuals of any age are likely to be disappointed if they cannot see the pension entitlements that they expect to see on dashboards. Communicating when other entitlements are expected to come online on a clear visual timeline or 'faded out' on each member's dashboard will help to manage expectations, but it could also lead to further disappointment if subsequent milestones are delayed. The simplest way to manage this is to have as comprehensive a dashboard as possible from the start. Presenting initial dashboards in beta could help users accept a degree of incompleteness. The challenge for the PDP will be having a clear timeline for when it goes live, and ensuring coverage is complete by this date.

Automatic enrolment and Nest's design were heavily influenced by behavioural decision-making research especially around the power of inertia, defaults and choice architecture. With the completion of staging and the planned contribution increases, we have slowly, and in a controlled way, been increasing our engagement with customers and measuring responses and unintended consequences such as any increase in opt outs.

In the early days of auto enrolment Nest undertook extensive research to explore how to talk to people about pensions, resulting in the Nest Golden Rules of Communication[8] and Nest Phrasebook.[9] The latter identified phrases that could be kept, phrases that needed to be defined the first time they were encountered and phrases that needed to be replaced with something that was more comprehensible to members of the public. Similarly, our publication *'Improving consumer confidence in saving for retirement[10]'* summarises some of the challenges faced in trying to communicate about investment with our members. All three publications remain relevant to effectively communicating about pensions.

More recently, we have trialled new methods of communicating with Nest members including the use of videos. Last year, as part of our member engagement strategy we sent a personalised video email to 25,000 members.[11] The objective was to motivate members to activate their online account. Later in the year we sent a video email to 100,000 members about responsible investment[12], with a view to identifying how different segments of our membership respond. These videos were sent to members who, in many cases, will not have received any previous engagement materials from Nest other than their annual statement. If helpful, we would be happy to share our experiences from both video campaigns with the PDP.

Many in the industry see engagement as a goal in itself. We take a counter view, engagement is a means to an end, the desired outcome can be summarised as what do you want the customer to think, feel or do differently from before. Whilst dashboards present an opportunity to understand whether consumers can be engaged with pensions in new ways, there is not, at this stage a clear and quantifiable engagement objective for dashboards. For auto enrolled savers, who are largely saving as a result of inertia, it's critical that any dashboard communications don't trigger unhelpful behavioural responses, such as increasing cessations or transfers away from well-governed low-cost schemes.

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[8] **https://www.nestpensions.org.uk/schemeweb/dam/nestlibrary/Golden-rules-of-communication.pdf**

[9] **https://www.nestpensions.org.uk/schemeweb/dam/nestlibrary/NEST-phrasebook.pdf**

[10] **https://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/improving-consumer-confidence-in-saving-for-retirement,PDF.pdf**.

[11] A demo of our personalised video can be viewed here: **https://demo.videosmart.com/nestpensions/**

[12] Nest 'Understanding responsible investment' video: **https://www.nestpensions.org.uk/schemeweb/nest/members/my-nest-pension/Growing-your-money-with-responsible-investment.html**

## Data Definitions Working Paper

### 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?

Of the match data items listed under Level 1a, National Insurance Number will be critical to matching members with entitlements. However, we could caution against over-reliance on this item because of several known weaknesses.

- NI Number is a TPR Common Data item, so schemes are required to check that data is input into this field and in the correct format. Nest validates the presence and format, but this does not guarantee accuracy. For example, we would not necessarily pick up if an employer has transposed two digits of a NI Number.
- NI Numbers are not always present because there can be instances, particularly amongst seasonal workers, where individuals may be on the payroll and contributing to a pension before they have been issued with an NI Number.

Similar data accuracy challenges apply to the other data items in Level 1a. Nest is compliant with all data requirements under existing disclosure regulations and with requirements in respect of TPR's common data standards. However, as a large master trust set up to deliver auto enrolment at scale, Nest is reliant on over 830,000 employers to supply accurate data on behalf of their employees. We are not, therefore, in a position to definitively guarantee the accuracy of Level 1a data.

We proactively address obvious data issues and run an annual data assessment. We will pick up, for example, if an employer has copied the same NI Number across different employees, if an account displays a negative pot value, or if someone's age is clearly wrong (e.g. age 3 or 130). However, smaller incremental errors are much more difficult to identify.

We want to be as helpful as possible when it comes to matching individuals to their entitlements on the dashboard. We already make use of tertiary data (e.g. mobile numbers, email addresses – both of which can be quite 'sticky' in terms of pensions match data) and we're happy to share further information about our processes for matching members in Nest's single pot-for-life system. Naturally, efforts to match individuals needs to be balanced against the potentially disproportionate costs involved with manually pursuing matches for very small pots and the liability costs associated with false positives.

Working with industry we would like the PDP to support the development of best practice guides for potential matching and close matching. It's importance that providers in different sectors have a high and comparable match rate.

### 10. In Level 1b, we have set out the administrative data items 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.

We hold the majority of data values discussed in the data definitions working paper. However, until the detailed data specifications are finalised, we cannot be certain about the amount of mapping or transformation work that might be involved in supplying each data item.

Of the items listed in Level 1b that may be challenging for Nest to supply, we have identified:

1b.201 'Name of the Employer who provided the pension arrangement to the individual'

1b.202 'Employment start date'

1b.203 'Employment end date'

Whilst we record employer details, Nest's pot-for-life system means it may not be possible to identify which contributions are attributable to each period of employment. It's unclear how multiple concurrent employments would be captured or, in the case of bulk transfers, how it would be recorded when members are deferred-on-transfer. In many cases, there is no employer associated with the pension arrangement. Over 13,000[13] Nest members are self-employed and many more identify as a combination of employed and self-employed.

We do not capture the start and end dates of periods of employment.

### 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.

The application of Statutory Money Purchase Illustration (SMPI) regulations allow considerable scope for discretion, so the assumptions underpinning the valuations on members' ABS differ between schemes, making it difficult to compare ERIs.

Consumer research cited by the Which? representative on the recent PDP webinar found that the item people most want to see on dashboards, after State Pension, is 'the totality of what they'll have in retirement' – i.e. aggregate ERI. It's unclear from existing research how useful dashboard users will find a selection of ERIs based on different assumptions, calculation dates and retirement dates.

DWP dashboard design principles proscribe altering source data and the use of ABS SMPI projections means the cost and complexity of providing data is kept low for schemes. However, for information to be useful for consumers it needs, at the very least, to be comparable. We would argue that ERIs need to be consistent across schemes and based on a standardised set of assumptions. Common standards for projections of future pension values and income are used by dashboards in Denmark, the Netherlands and Australia.[14] The Swedish dashboard's lack of mature information and projection standards has been described as a 'salutary lesson' for the UK.[15]

Standardising data at the level of the dashboard (if the DWP design principles were amended to allow this) could mean that users see different ERIs on their ABS and on the dashboard – posing the obvious risk of increased consumer confusion and leaving scheme contact centres to answer member queries about projections which schemes have not provided.

Greater standardisation at the provider level, via a tightening of the SPMI regulations (rather than at the dashboard level), would not only support the goal of showing comparable ERIs, it would have the additional benefit of reducing the risk that schemes will attempt to "game" the dashboard for commercial advantage. Without standardisation it's conceivable that less-scrupulous providers may try to attract transfer business by displaying the highest possible ERI number using favourable - and potentially unrealistic - growth assumptions.

We recognise that the question of ERI standardisation is complex and we believe this needs further consultation before ERI data is of the minimum quality needed for the launch of dashboards.

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[13] Nest Scheme MI, June 2020

[14] **https://thepeoplespension.co.uk/wp-content/uploads/2019/01/Pension-Dashboard-report.pdf**

[15] **https://www.professionalpensions.com/interview/3012208/swedens-pension-dashboard-offers-salutary-lessons-uk**

**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?**

**2a.001 Estimated Retirement Income (ERI)**

We see ERI and income framing as the primary information that dashboards can offer users. At present, Nest would not technically be able to supply ERI data to dashboards. Nest provides a pounds and pence SMPI projection on annual benefit statements (ABS), but this information is not stored on member records, it is only recorded on the ABS which is held as a PDF in a member's secure mailbox.

Extracting ERI data is technically achievable, but it will require our current scheme administrator to change existing data structures. We are happy to discuss the challenges around this with the PDP.

**2b.002 Accrued Entitled – current pot value**

Accrued entitlement is of secondary value to dashboard users compared to ERI. Like ERI, Nest does not currently store this information on member records, so the same difficulties outlined above for ERI apply. However, unlike ERI, the current value of a members' pension pot can be pulled in real time and an accurate figure can be supplied. An up-to-date value also best serves the interests of the member. In the event this item can be supplied in real time (rather than pulled from the ABS) then this would be technically straight forward to supply (but we would prioritise the provision of ERI).

**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?**

Nearly all the data items in Level 3 are recorded and held by Nest. Subject to finalisation of the data specifications and the mechanisms by which schemes will supply data to the dashboard ecosystem, these items could be supplied to, with the exception of:

> 3.01.008 'Pay period by pay period histories of contributions credited to the Individual's DC account paid since joining the pension arrangement.' Potentially split into Individual, Employer, Tax Relief, Transfers In, etc

It's not clear what type of data would be recorded here. Pay periods are not relevant to some contributions (e.g. AVCs, pension sharing orders) and, where they are relevant, this data is held at the employer level rather than the member level.

**Costs and charges**

The data definitions working paper calls only for information about costs and charges to be made available as a Level 3 item. To the extent it will be mandated at a later date, the PDP is calling only for schemes to supply a URL to the webpage where information about the charges and transaction costs relating to a DC pension entitlement can be found.[16]

Consumer research by Which? found that ~50 per cent of people want to see information about charges on their DC pots in pounds and pence on dashboards. Along with current pot value, this was the joint-third most important item people wanted to see after state pension and aggregate ERI. This means that half of the items consumers most want to see on a dashboard – personalised charges and aggregate ERI – aren't included in the data standards.

Given it seems highly likely that the dashboard will be used by some consumers as a springboard to make decisions about pot consolidation, Nest believes it is important that information on costs and

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[16] Nest's webpage on charges: **https://www.nestpensions.org.uk/schemeweb/nest/aboutnest/nest-charges.html**

charges should be included on the first iteration of the dashboard. As with SMPI, costs and charges would need to be presented in a way that informs rather than misleads consumers and would need to be underpinned by a standardised method of calculation.

There is currently no friction built into the customer journeys of consumers looking to consolidate their pots into some DC schemes: it can be done in few clicks on a mobile phone. Given the dashboard may be the precursor for consumers deciding to consolidate, we believe it has an important role to play in making charge levels clear to consumers upfront. In future, the dashboard could also host more holistic assessments of value for money that take into account investment performance and quality of governance, for example.