Pensions Dashboard

Get ready

15m

Origo's analysis shows that the services underpinning the Pensions Dashboard must be ready to support at least 15 million consumers accessing their pensions data.

Purpose of this Paper

Origo has analysed and used publicly available statistics to add business context and credence to our forecasts. These could potentially be used to set a high-level target and as one of the key measures of success for a UK Pensions Dashboard.

Target - 15 Million Consumers

UK Pensions Background and Statistics

The October 2017 Pensions Policy Institute Pensions (PPI) Facts document has been used to summarise some key statistics that inform potential consumer scale requirements. The PPI statistics are a summary of statistics gathered, in the main, from the Office of National Statistics, The Department for Work and Pensions and The Pensions Regulator. Most of the statistics are based on surveys that are published from 2015 onwards.

The PPI diagram below outlines a definition of the UK pension system.
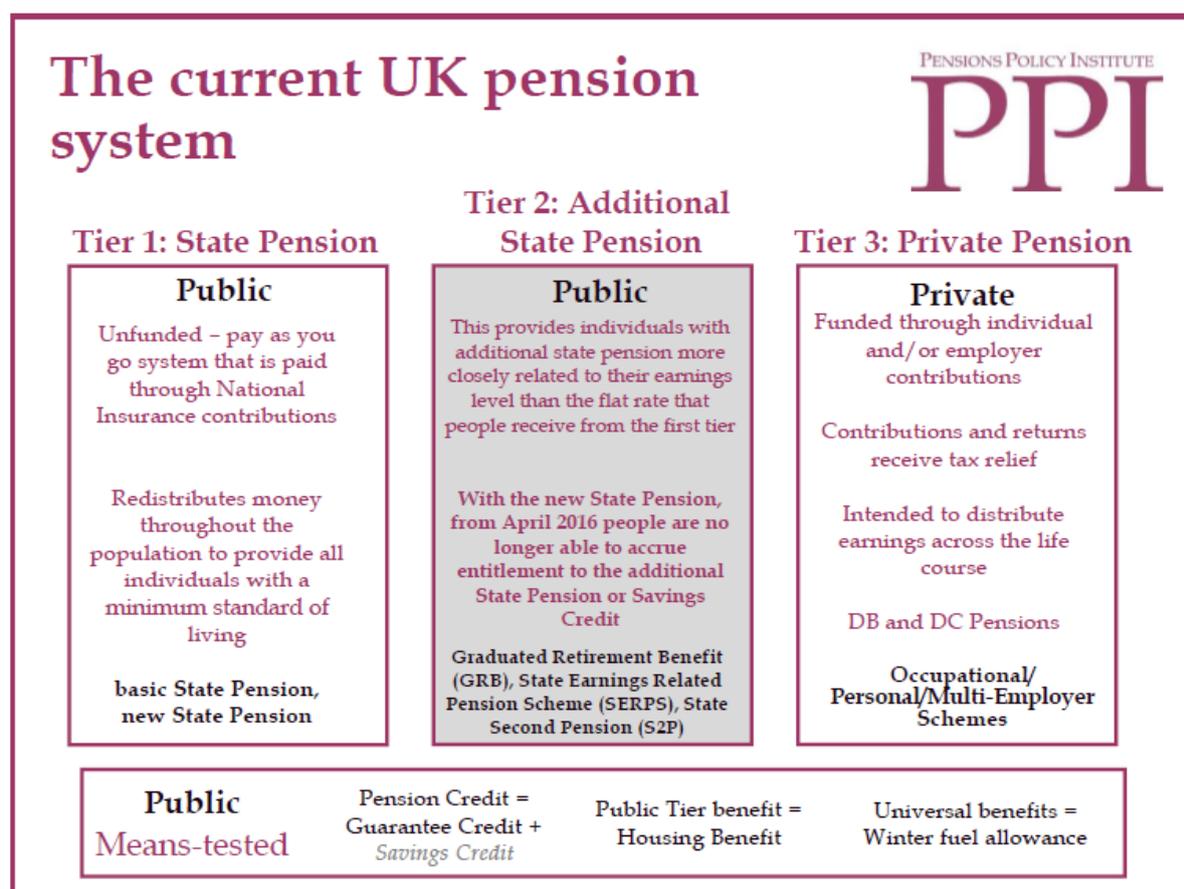
Tiers 1 and 2 relate to State Pension and this is equivalent to what is termed as *Pillar 1* in European actuarial definitions. Tier 2 will phase out over time as the UK graduates to the new State Pension for all.

Tier 3 in the UK covers Occupational (Workplace) pensions and Individual Private Pensions. These schemes and individual pensions contain over 2 trillion pounds in assets being managed in the UK. This equates to 130% of UK Gross Domestic Product (GDP).

Tier 3 in the UK is equivalent to *Pillar 2* and *Pillar 3* in European actuarial definitions.

The PPI diagram below provides a good schematic of Tier 3 pension provision and the different forms it can take in the UK.
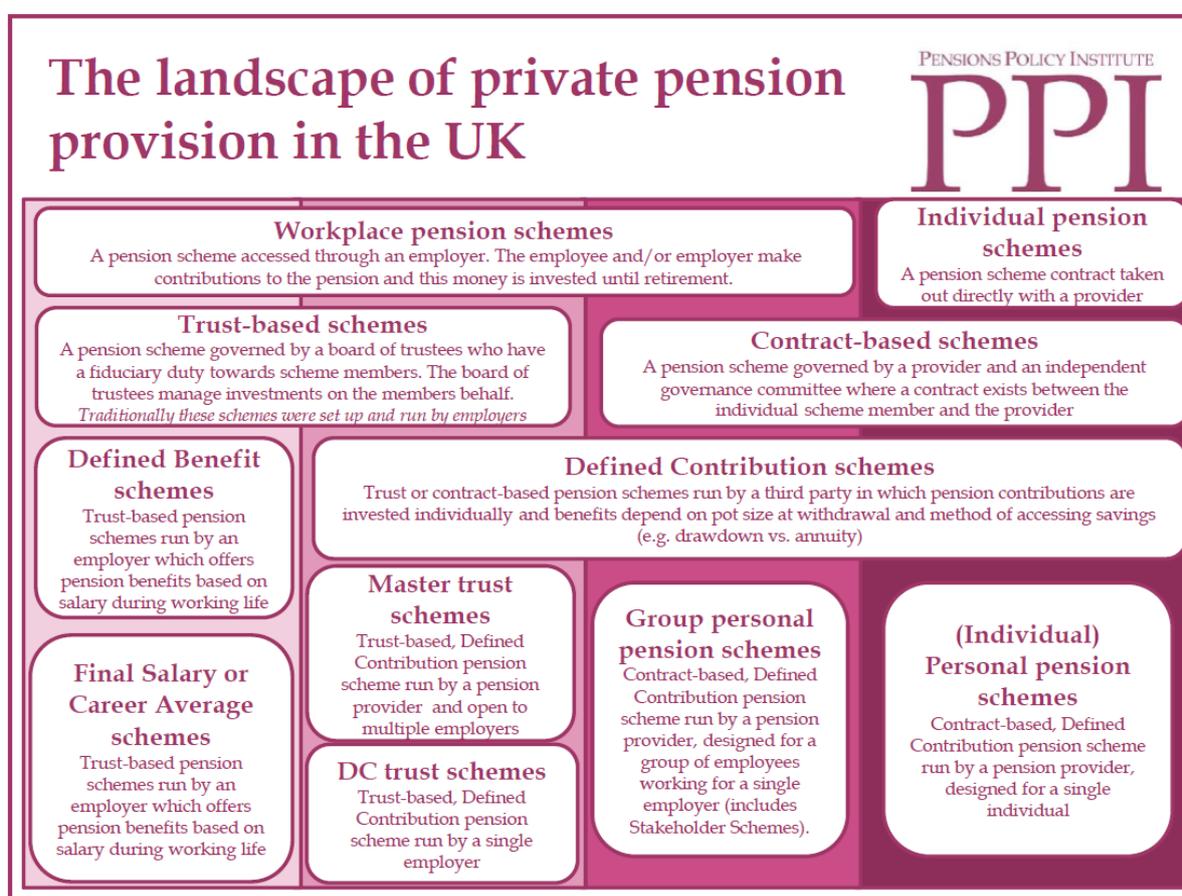
The introduction of Workplace Auto Enrolment (commonly referred to as AE) is the single biggest change to the pension landscape in the last few years and has driven increasing numbers of consumers to have a pension. However, the assets under administration (AUA) for these new schemes is still relatively low as a proportion of total UK pensions AUA. It is anticipated that this will grow over the coming decades as the UK transitions to AE schemes becoming the dominant vehicle for occupational Workplace defined contribution (DC) schemes. As of 2016, 66% of all employees were active members of pension schemes, based on analysis by The Pensions Regulator.

Salient Facts from PPI Pension facts document and other sources that help us with forecasting potential for consumer uptake

i. 39 million working age people in the UK (Age 18-64 men, 18-59 women)
ii. 32.2 million People in work as at 24/01/2018 (source DWP website).
iii. 24.3 million People have accrued a qualifying year for some Basic State Pension entitlement.
iv. A further 6.8 million are credited-in through the 27 activities that can credit someone in such as maternity, sick pay, jobseekers allowance, carers allowance etc.
v. For the new State Pension a minimum of 10 qualifying years of NI contributions is required and 35 years for full entitlement.
vi. The average proportion of pensioner income is approximately 50/50 State/Private Pension i.e. 50 percent (Tier1/2) and 50 percent (Tier3).
vii. 42% of working age women and 46% of working age men are accruing some form of private (Tier 3) pension. The actual figure is not quoted in PPI stats but it equates to approximately 17 million people (44% of 39m).
viii. There are 11 million members of occupational (workplace) schemes. This includes public and private sector schemes at close to a 50/50 split between the two.
ix. There are approximately 44,000 pension schemes in the UK. 22,000 are open to new members, 11,000 are closed, 8,000 are frozen and 2,000 are in the process of winding up. 75% of schemes across the 44,000 are defined contribution (DC) and 25% defined benefit (DB). Only 20% of DB schemes are open.
x. AUA for DB schemes is far greater than for DC at this point in time, based on longevity of schemes (particularly in the public sector). Analysis from Willis Towers Watson states that UK DB schemes account for 82% of AUA and DC at 18%. However, AUA in DC schemes and private pensions will continue to grow and this ratio will balance over the coming decades.
xi. In a recently published Which? report it stated PPI statistics that estimated that £1.7tn of AUA will be in workplace DC pensions by 2030.
xii. The PPI estimates that by 2030 there will be 14.7million active members of workplace DC schemes and 500,000 active members of workplace DB schemes.

Target for Potential Consumer Uptake

In the Pensions Finder Alpha white paper published in May 2016 the consumer research concluded 3 key findings:

i. Respondents' current planning for retirement often takes the form of a relatively passive monitoring process, rather than an active or sophisticated management.
ii. The Dashboard is most likely to be useful to the young (aged 30-54) who are often struggling to come to terms with how to manage their pension and the complexity of accessing information about it.
iii. There was often an unprompted acceptance of 'lost' pensions and the idea that these will never be found again, highlighting the importance of including the 'tracing a pension' and 'matching a pension' functions in the final Dashboard.

63% of the population are between 16 and 64 (ONS). ONS does not provide age breakdowns on their website but Statista includes such a breakdown. Using the Statista UK age demographics we arrive at approximately 22 million people aged between 30 and 54.

Using PPI analysis of family resources there is approximately 50% - 60% of working age people in this range accruing a Tier3 private pension of some sort.

We can therefore deduce that the Dashboard will be attractive to approximately 13-15 million people.

This is closely aligned with earlier discussions Origo held with Providers who operate consumer-facing platforms.

Other factors which may influence this number to increase are:

- people using a Dashboard to view just their state pension entitlement;
- Significant changes in the way in which the population may need to approach retirement is being suggested i.e. "active ageing" and people are using pension freedoms to transfer into non-workplace pensions;
- "The non-workplace pensions market is large and growing. At least 1 in 4 adults have accumulated benefits in non-workplace pensions. We estimate £400bn assets under management are invested in these products, which is double the amount invested in DC workplace pension schemes – FCA report Feb 2018".

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Our estimated figure of 13-15 million users of a Pensions Dashboard feels appropriate if we combine the 11 million people with workplace pensions and the non-workplace (individual) pensions market. It also aligns with the original key objective of the Dashboard which is to allow people with multiple pensions to track all their pots.

As a comparison, The Pensions Dashboard in Sweden has been established for many years. Sweden has a target consumer population of 5.5 million people in the age range that has some pension entitlements and has achieved 2.65 million registered users.

Applying a simple and similar 50% target for the UK means you arrive at approximately 15 million so the analysis seems reasonable and could be used to set a high-level success target for consumer uptake of the Pensions Dashboard ecosystem.

Let's Talk

Origo's Executive Management is Fully Committed to the Pensions Dashboard Initiative

Origo has been a long-term supporter of the Pensions Dashboard Initiative and has committed significant internal financial and developmental investment to the project. We have been active participants in the project from the outset.

> *"Pensions Dashboard is an exciting prospect for UK financial services and FinTech providers like Origo, which can deliver the technology to make Dashboard happen and to help develop it further in the years to come. The industry first has to lay the firm foundations on which to build the service to ensure its success."*
>
> *Anthony Rafferty, Origo Managing Director*

Contact Details

To start the conversation, just contact one of our team. We'd love to hear from you.

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