



By email to pensionsdashboard@dwp.gsi.gov.uk

Dear Dashboard team,

Pensions dashboards: Working together for the consumer

Thank you for the department's consultation document inviting comments on the dashboard.

Please find attached to this letter a response from the Firefighters (England) Pension [Scheme Advisory Board](#). The responses to the consultation are from the public sector pension perspective.

If you have any questions, please let me know.

Yours sincerely

Clair

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Part 1 – The Scheme Advisory Board

This response is submitted on behalf of the Firefighters (England) Scheme Advisory Board (the board), by LGA who act as secretariat to the board. Neither the board nor LGA act in the capacity of [scheme manager](#).

The purpose of the board is to provide advice to scheme managers in relation to the effective and efficient administration and management of the scheme.

Part 2 – The Firefighters Pension Scheme and its members.

This section sets out the architecture of the Firefighters Pension Scheme as a locally administered unfunded public sector pension scheme.

Administration and Management

Under the regulations each of the 45 Fire and Rescue Authorities (FRAs) are responsible for the management and administration of their scheme and are defined in law as the scheme manager, this puts the responsibility to comply with over-riding pension legislation on the FRA. At present this responsibility is managed differently within each FRA, this can depend on whether they are a combined authority or whether the FRA function sits within a county council.

Each FRA is required to administer the pension scheme either in-house or appoint a third party administrator. There are currently 20 different pension administrators across the 45 FRAs, a list of Authorities and their administrators can be found [here](#).

Funding

The unfunded nature of the scheme means that the top up grant provided from central government covers pension payments only, it does not fund administration and management of the scheme. Unlike centrally administered schemes, where the employers pay an administration levy, FRAs have to fund pension costs arising from the administration and management of the scheme from their operating accounts. With the recent 2016 valuation outcome and an **increase** of 12.8% employer contributions to fund from 2020, there is significant pressure on the FRA operating accounts.

Central Support

Fire & Rescue services are supported centrally by the LGA 'Bluelight' pension team, who are also the secretariat for the board. The LGA Bluelight team run a framework of [forums and groups](#), and [events and conferences](#) in order to support the FRAs with their responsibilities.

There are two major software suppliers, Aquila Heywood and CIVICA which enables consistency in provision of technology.

Members of the Firefighters Pension Scheme

The members of the Firefighters Pension Scheme are a diverse group, so the following list is not exhaustive. Nevertheless I have attempted to categorise the different types of member with regards to their likelihood of having multiple pension pots and therefore value in accessing pension dashboards.

- Firefighters who commenced their career as a Firefighter from a young age. These firefighters are unlikely to have other pension schemes. This group would currently be the majority group.
- Firefighters who commenced their career later in life, late 20s to early 30s. These firefighters are likely to have a range of other pension benefits from their early working life.
- Retained or 'on-call' Firefighters, these firefighters are likely to have other occupations with pension scheme benefits building up.
- Firefighters who have commenced a career with the Fire and Rescue Service but don't intend to have a lifelong commitment, after gaining skills they may move to other roles. These firefighters, during their working life are likely to accumulate a range of 'pots' and pension benefits.
- People who no longer work as a Firefighter but have a deferred pension, these members are likely to have a range of pension benefits and pots.

Part 3 - Response to the consultation:

Question 1a

What are the potential costs and benefits of a dashboard for individuals or pension scheme members?

Response

Benefits

As per part 2, there are a wide variety of members of the Firefighters pension scheme, and the benefits of dashboards to those individuals will reflect those different characteristics.

For instance, currently the largest grouping are those Firefighters who have been a firefighter most of their career and are unlikely to benefit from the facility to view details of a single pension they already know they have. These individuals are more likely to benefit from on-line technology being offered by their employer, which will allow them to run future projections.

However, there are other categories, such as retained firefighters or those who only stay with the Fire service for a short part of their working life. These people are more likely to benefit from the dashboard where they can view all their pension entitlements in one go.

It is also important to recognise the changing face of the Fire service, in the future we may see Firefighters staying for less time in the Fire service, or more retained firefighters who would benefit from dashboard services.

With recent changes to contracting-out, and confusion on entitlement (how many years are needed for the “full” amount etc.), then it would benefit members to see their state pension details alongside their scheme benefits.

The dashboard may benefit members, whose FRA does not appropriately prioritise management of the pension, and whose knowledge of the scheme benefits is poor so that members are not supported, either by access to pension experts or on-line provision, by providing information on their benefits that their employer cannot.

Costs

As a public sector pension scheme member, there should be no costs incurred for individuals accessing the pension dashboard. Many of the administrators already offer access to a member online service, where a member can see the details of their records and run online projection calculations. The scheme advisory board have committed to championing online provision and encourage every FRA to sign up within the next five years. There is no charge to the member for this service.

Question 1b

What are the potential costs and benefits of a dashboard for your business?

Response

The Scheme Advisory Board and LGA do not act in the capacity of scheme manager, and as such are unable to provide details of potential costs in £s. The scheme advisory board are engaging with the Fire sector on data requirement and dashboards and it may be possible to give firmer estimates towards the end of the year, once more detail is known about requirements. .

The response on estimated costs and benefits is based on an assumption that the requirements of participating on a dashboard would require the following fields only.

- Full name and title
- Date of Birth
- National Insurance Number
- Partnership Status
- Employer
- Date began employment
- Current Firefighters Pension Scheme
- Total current value of benefits at 31 March 20xx
Current final salary portion
Current Career Average Pension
- Death in service lump sum at 31 March 20xx
- Annual Survivors Pension at 31 March 20xx

Any requirement to show projected figures or figures at any other date than the end of year, would require extra processes and potentially government instruction, and would therefore incur extra costs

A requirement to show the value of the pension at any other date of the year than the annual benefit statement will require a monthly payroll reconciliation and a monthly calculation update by the administrator in order to calculate up to date values. While the board encourage monthly payroll reconciliation many FRAs only run an annual year end process. Changes to those processes will incur additional costs.

The recent 2016 valuation outcomes may see an increase to the accrual rate for the next four years, if there were to be a requirement to project benefits into the future, consideration would need to be given on what accrual rate to use for those projections. FRAs would expect to receive that instruction from their sponsoring government department, in this case the Home Office.

Further information on the current Annual Benefit Statement production process is available [here](#); a template of the current annual benefit statement is available [here](#)

Costs

As already laid out, this response is from the Scheme Advisory Board who do not bear direct costs. The costs for dashboard for the Firefighters pension scheme will be met individually by the FRAs. The response below breaks down the bulk of the costs into three main categories.

Software costs, There are two major software suppliers, Aquila Heywood and CIVICA. As full requirements as yet are unclear, costs from software suppliers are at present commercially sensitive and therefore unavailable.

Administrator costs, the administrators will in the first instance bear the costs of the software suppliers, however as yet they will have not decided how to charge their clients (the FRAs) for either the software costs or the extra time involved in participating in the dashboard. This will be a commercial decision and many different factors may affect their decisions. As there are 20 administrators across the FRAs each administrator may have a different strategy for charging costs and we cannot at this time estimate what this would be.

Operational costs, On top of software and third party administrator costs there will be operational costs to the FRA, as a result of managing the on-boarding process. This might be additional resource costs, a change in payroll processes, additional data cleansing costs over and above the statutory requirements to provide data scores, or implementing new processes; for example, there is currently no legislative requirement to provide a deferred annual benefit statement for members of the 1992 Firefighters Pension Scheme.

Benefits

Benefits to an employer can often be categorised as an advantage or profit gained from something. So to consider benefits to the employer of the dashboard you would need to consider whether they gain anything from participating in the dashboard.

Unlike the private sector employers who own their own pension scheme and who might gain a moral feeling of comfort that their employees can appropriately plan for their future by understanding the value of their pension pots. The fire service is a public sector employer with a pension scheme imposed by the government. The scheme is a defined benefit public sector scheme and so the pension benefits at retirement are known.

Were the dashboard to go further in its functionality and provide a retirement planning service, then the employer might benefit because they would gain that 'moral comfort' that benefits are understood. However, as explained later

within this consultation, the Firefighters pension scheme is a complex scheme, and those queries are much better managed through the use of on-line systems within the employers' control.

At the moment, there is little to be gained in profit or advantage for the Fire and Rescue Service. For the public sector it may be more beneficial to make on-line pension service systems mandatory for all members within five years.

Question 2a

Do you agree with our findings on our proposed architectural elements?

Response

Yes

However, whilst it is accepted that the member is accessing the data at their request and that the authentication process will be robust. People should be given the option to opt out of the data made available by their pension scheme, so that the search engine facility of the pension finder service does not see their data at all while searching data.

Question 2b

Do you agree with our proposed architectural design principles?

Response

Yes

Question 3

Is a legislative framework that compels pension providers to participate the best way to deliver a dashboard within a reasonable timeframe?

Response

Yes, a statutory responsibility to participate in the dashboard gives the employers a business case to prioritise participation in the dashboard over competing priorities.

Question 4

Do you agree that all Small Self-Administered Schemes (SSAS) and Executive Pension Plans (EPP) should be exempt from compulsion although they should be allowed to participate on a voluntary basis?

Response

Yes, we agree the departments' view that members of these types of schemes would be less likely to use a dashboard.

Question 5

Are there other categories of pension scheme that should be made exempt and, if so why?

Response

The Firefighters Pension Scheme Advisory Board does not have a view on private sector pensions.

While the benefits of the dashboard to Firefighter pension scheme members who do not have a variety of different pension benefits gained during their working life will initially be restricted. The board does not agree that they should be made exempt.

Question 6

Our expectation is that schemes such as Master Trusts will be able to supply data from 2019/2020. Is this achievable?

Response

Unknown.

As a public sector pension scheme employer we cannot comment on what is achievable by private sector master trusts.

Question 6b

Are other scheme types in a position to supply data in this timeframe?

Response

No.

The Firefighter pension scheme would not be able to supply data in this timeframe. The architecture of the scheme, with 45 scheme managers and 20 administrators significantly challenges the ability to on-board in this timeframe. Each individual FRA will need to project manage their ability and timeframe to participate in the dashboard. This means that some Authorities could be ready to join sooner and others later.

Question 7

Do you agree that 3 – 4 years from the introduction of the first public facing dashboards is a reasonable timeframe for the majority of eligible schemes to be supplying their data to dashboards?

Response

No.

As confirmed in part 2 of our response, each of the 45 FRAs is the scheme manager and responsible for the scheme. There is no central ‘employers levy’ for administration, or a pension fund to draw down from like the LGPS. Funding needs to come directly from the Authorities operating account, which means that the competing pressures of the operational demands, combined with a 12.8% increase in employer pension contributions puts significant pressure on the budget. Put crudely if it comes down to keeping stations open or paying the operational costs of on-boarding for dashboards, FRAs will prioritise public safety keeping stations open

How quickly an FRA will be able to prioritise the dashboard over other operational demands will depend on operational priorities, budget and the cost of the dashboard. At present it is not possible to estimate the costs of participation, as this will largely come down to commercial decisions that the software providers and the administrators will make.

All of these different factors across a landscape of 45 scheme managers and 20 administrators mean that some FRAs could be ready to join sooner and others later.

A timeframe of 5 – 6 years is more realistic.

Question 8

Are there certain types of information that should not be allowed to feature on dashboards in order to safeguard consumers?

Response

CETVs should not feature on dashboards. Without an in-depth knowledge of the actuarial factors used to calculate them, they artificially inflate the value of the pension to the member. While the legislation restricts transfers into flexible benefit schemes, an artificially high CETV could encourage members to opt-out of the scheme in the belief they could self-invest for a higher return.

Question 8b

Are there any other similar risks surrounding information or functionality that should be taken account of by government?

Response

As per the response to question 1b, there should not be a requirement to provide projection calculations as part of the dashboard functionality. However government should consider whether employers should provide on-line calculations within a certain timeframe. Projections are not suitable within the dashboard framework because

- Under the 2015 reforms, there are three firefighter pension schemes, and some members have benefits built up in both schemes. Each scheme has a different retirement date and therefore different implications if a member retires from both schemes on the same date.
- Under the 2015 reforms it is now possible for a member to retire between the ages of 50 and 60 (depending on circumstances) with or without lump sums.
- This type of complexity is best suited to an on-line system hosted directly by the administrator with all the necessary information on the member, date of joining, transfers etc.
- The recent 2016 valuation outcomes may see an increase to the accrual rate for the next four years, consideration would need to be given on what accrual rate to use after those four years for projections. FRAs would expect the instruction to be issued from their sponsoring government department, in this case the Home Office.

Question 9

Do you agree with a phased approach to building the dashboard service including for example, that the project starts with a non-commercial dashboard and the service (information, functionality and multiple dashboards) is expanded over time?

Response

A phased approach with a non-commercial dashboard is the right approach for public sector pensions. Additional functionality and information should be available through the provision of on-line systems where the member can access pension modellers to understand their benefits at certain dates. A link to the on-line service should be available through the dashboard.

We cannot comment on private sector pension members, however we can appreciate there might be more value in a commercial dashboard that could offer functionality such as annuity projectors.

Question 10

Do you agree that there should be only one pension finder service? If ticked 'no' how would you describe an alternative approach and what would be the benefits, risks and mitigations?

Response

Yes

Question 11

Our assumption is that information and functionality will be covered by existing regulation. Do you agree and if not, what are the additional activities that are not covered?

Response

Yes

Question 12

Do people with protected characteristics, or any customers in vulnerable circumstances, have particular needs for accessing and using dashboard services that should be catered for?

Response

Yes, the dashboard should ensure that it is fully accessible and can work with mobile phones and tablets that users can set to their own accessible specifications. For example it should work with an apple device in voiceover settings. A testing panel should ensure that the functionality is fully accessible.

Question 13a

The government has proposed a governance structure which it believes will facilitate industry to develop and deliver a dashboard. Do you agree with this approach?

Response

Yes

Question 13b

If ticked 'no', what if anything, is missing or what workable alternative would you propose which meets the principles set out in this report?

Response

Not applicable

Question 14

What is the fairest way of ensuring that those organisations who stand to gain most from dashboard services pay and what is the best mechanism for achieving this?

Response

The Fire and Rescue service is a public sector employer with a pension scheme imposed by the government. Unlike private sector employers who own their own pension schemes and whom to some extent can control costs within their budgets, the costs of the Fire scheme are outside the control of the employers. The architecture of the Fire pension scheme, i.e. run individually across 45 FRAs with 20 administrators, means costs can be inconsistent per Authority

We have also already seen that their members access to the dashboard has limited benefits to FRAs. Currently the majority of their staff are 'life' Firefighters meaning those who joined at a young age and see the Fire Service as a lifelong career, as such they don't have any other pensions. As the dashboard doesn't and can't offer projections there is limited benefit.

It is recognised however that as the landscape changes in the future then a dashboard will help employees understand their total pensions.

Given the expected costs of participations, the limited value, the financial position of FRAs, and that they don't own their pension scheme like private sector employers, it would be unfair to impose further costs on those employers by means of a levy to pay for the infrastructure. This should be funded by central government for public sector schemes.

Question 15

Do you have any other comments on the proposed delivery model and consumer offer?

Response

No

Part 4 – Final Comments

While it is recognised that the Firefighters Pension Scheme is a small scheme compared to other public sector pension schemes, it is felt that the challenge of administering and managing it across 45 different scheme managers and 20 administrators offers a sizable challenge with regards to its participation in the dashboard.

Although the Scheme Advisory Board and LGA can offer support, advice and frameworks, the ultimate responsibility lies with the FRA and the board does not have any power to enforce early participation and engagement.

The Scheme Advisory Board by undertaking the [benchmarking and administration review](#) may make recommendations that will help the industry to respond better to challenges such as this and the recent GMP reconciliation project.

The Scheme Advisory Board support the concept of the dashboard and look forward to working closely with DWP in its implementation.

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