

Firefighter Pension Schemes Management and Governance 24 April 2019

I don't

- Police
 - Inspect
 - Regulate
 - Report
 - Whistle blow
-

I do

- Advise
- Guide
- Help
- Steer

Administration and management

- 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](#) - Responsibility to comply with over-riding pension legislation is on each 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 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.
-

Firefighter Pension Scheme Members

1992 Scheme	2006 Scheme (Standard Members)	2006 Scheme (Special Members)	2015 Scheme	Compensation Scheme
Protected standard members	Protected standard members	Protected special members	2015 only	Benefits based on service
	Protected retained members		1992 transitional	Protections for retained firefighters with a qualifying injury before 1 st April 2014
			2006 standard transitional	
			2006 standard retained transitional	
			2006 special transitional members	

Agenda

Session One

- The Scheme Manager role
- Scheme Manager Duties
- Scheme Complexities

Session Two

- Current Landscape
- Valuation and McCloud and Sergeant

Session Three

- Pension Board Governance and Responsibilities
- TPR Expectations and SAB Survey
- Expectations of pension boards and next steps

Scheme Manager



Scheme Manager Factsheet

Scheme Manager

- The Scheme Manager is defined by rule 4 of the 2015 regulations rule 4 of the 2014 regulations as being the Fire and Rescue Authority as determined under section 1 of the Fire and Rescue Services Act 2004
 - The scheme manager is responsible for managing and administering this scheme and any statutory pension scheme that is connected with it.
 - <http://www.legislation.gov.uk/ukxi/2014/2848/regulation/4/made>
-

Power of delegation – Rule 5

- *(2) The scheme manager may delegate any functions under these Regulations, including this power to delegate, to such persons or employees of such person as may be authorised in that behalf by the scheme manager.*
 - <http://www.legislation.gov.uk/ukxi/2014/2848/regulation/5/made>
-

Delegation not abdication

Who
owns
pensions

- Is there a natural home for pensions within your organisation?
- Is this part of the senior management team?
- Is it one persons responsibility?

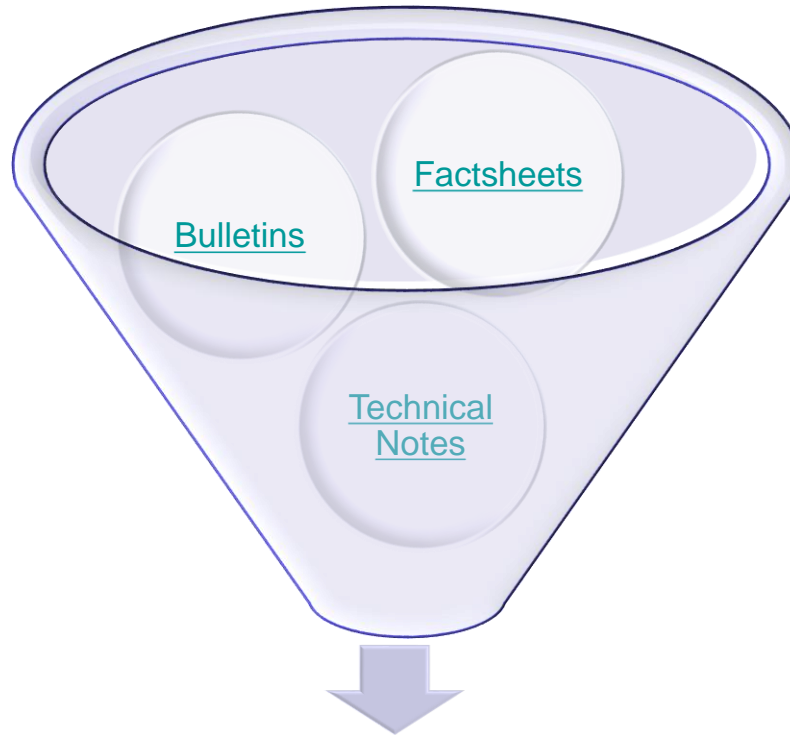
Who
monitors?

- Regular reports to the fire authority, and from whom?
 - An understanding of risk?
 - Does the Local Pension Board report directly to the Fire Authority
 - What escalation procedures are there?
-

Risk

Regulatory and Compliance	Financial	Operational
Non compliance with TPR	Excessive Charges	Member Data
Failure to interpret regulations	Pension Fund accounting mistakes	Administrative failures
Failure to comply with disclosure requirements	Authority costs due to failure to apply scheme / tax rule correctly	Premises
Failure to communicate with scheme members	Failure to deduct correct employee contributions	Software
	Fraud	Workforce planning

Actions



**Scheme Manager /
Pension Board Chair**



Question 1

- Is there a clear scheme manager delegation
- Is that delegation monitored
- Are the risks understood by the Fire Authority
- What filters do you have in place to catch the actions?

**WOULD YOU DO ANYTHING DIFFERENTLY
FOLLOWING TRAINING?**



Scheme Manager



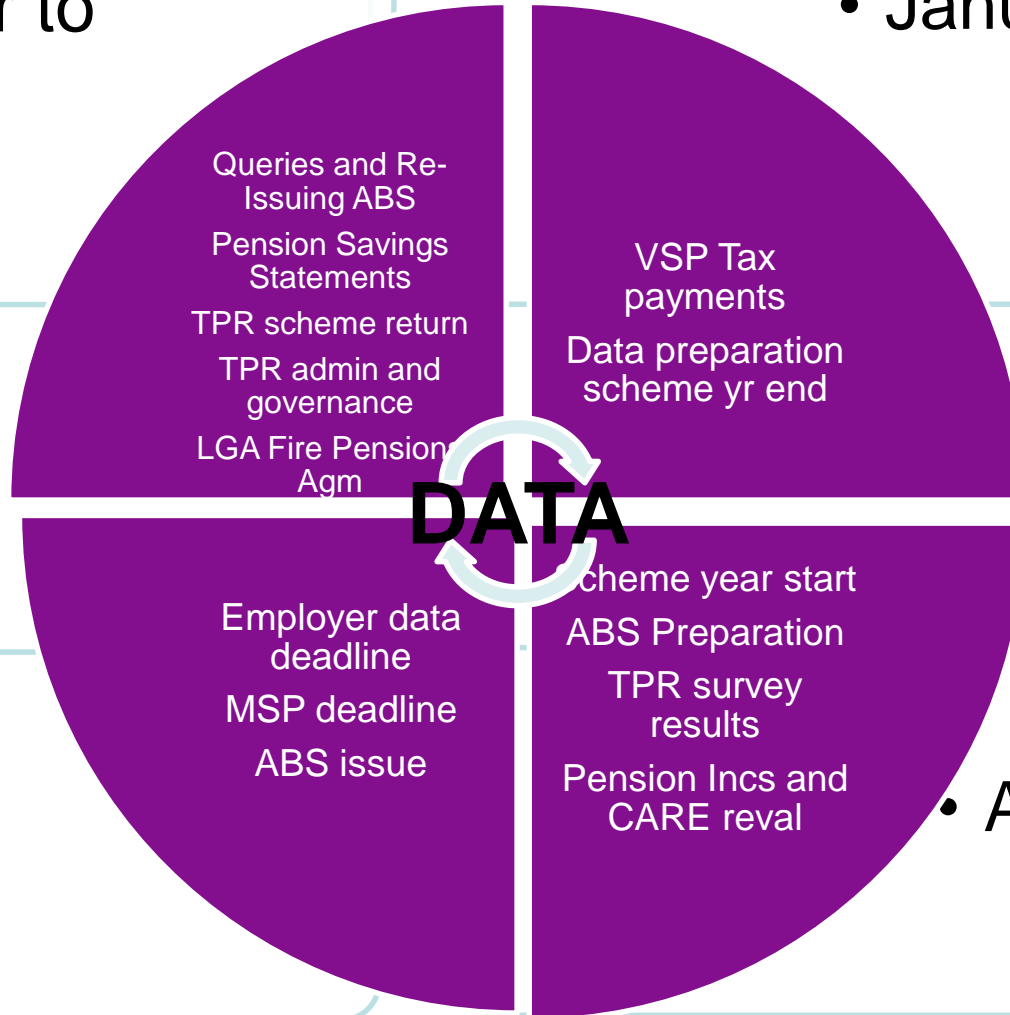
Scheme Manager Responsibilities

- Calculation and Payment of Benefits
 - Decisions and Discretions
 - Disclosure of Information
 - Record Keeping
 - Internal Controls
 - Internal Dispute Resolution
 - Report Breaches of Law
 - Statements, Reports and Accounts
-

Scheme Year Cycle

• September to December

• January to March



• June to August

• April to June

Internal Dispute Resolution

- Guidance in [FPSC 1/2009](#) and [Bulletin 9](#)
1. First stage considered by Chief Fire Officer or a delegated senior manager (six months)
 2. Second stage considered by elected members (six months)
-

Reporting to Home Office

- Top Up Grant
- Reports and Accounts
- Clear processes?

[AGM Workshop – Forecasting public service pensions](#)

Administration

- How are SLAs set?
 - Are roles and responsibilities clear
 - What services does the administrator offer?
 - Regular meetings
-

Breaches of the Law

- Who should report
 - Managers of the scheme
 - Pension board members
 - Administrators
 - Employers
 - Professional Advisers
 - Those involved in advising the scheme manager

[TPR Guidance](#)

[SAB Breach Assessment Guidance](#)

Breach assessment procedure



Secretariat: bluelight.pensions@local.gov.uk

Breach Assessment Template

Date of assessment

[Enter text about date of assessment and who assessment panel is]

Introduction

[Brief introduction to the breach being assessed]

Identified

[Enter text about how the breach was identified, for example it might be;

- Tracked from agenda
- Tracked from LGA bulletins / technical note
- Informed by scheme manager / Pensions administrator
- Something else]

Assessment

[Using the [TPR guidance](#) comment on the four areas and score red, amber or green

	Cause	Effect	Reaction	Wider Implications
Red				
Amber				
Green				

Action

[Enter text about what the course of action is in response to the breach, including any timescales.]

History / Frequency

[Enter text about whether this is a breach that has occurred before and with what frequency.]

Decision

Report as material breach	
Recorded as breach	

Assessed by:

Date of assessment:

Board Review:

Tabled at Board Meeting:

Agreed by board:

Breach Assessment Template

Pension board assistance

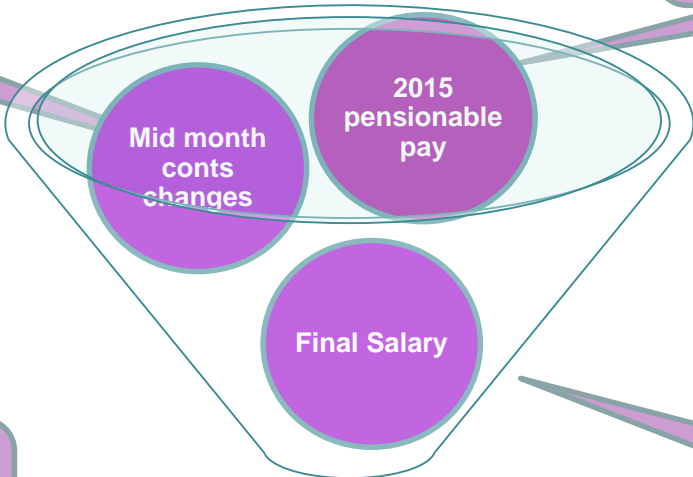
- Compliance of duties under the regulations and relevant legislation
 - Effectiveness of processes for the appointment of advisors and suppliers
 - Identify improvement of customer services
 - Identifying patterns of complaints
 - Reviewing the performance of administration
 - Reviewing the process for sharing data
-

Record Keeping?

Inputs

Change of contribution rate for mid month tapering

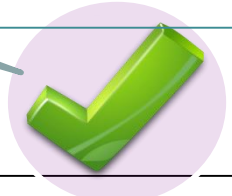
CARE pensionable pay for scheme year



Correct pension

Link to final salary for transitional benefits

Outputs





Question 2

- How do you implement new processes
 - Are you confident in your administrator relationship?
 - Record keeping
 - Have you completed scheme reconciliation
 - What was your data score?
 - What are your priorities for coming year
-



Question 2

- Are IDRPs managed effectively
- How confident are you that risks are managed?
- When would you expect the scheme manager to be notified of a breach?
- How does your pension board assist you?

WOULD YOU DO ANYTHING DIFFERENTLY FOLLOWING TRAINING?

Scheme Complexities



An important note

- These slides are intended to provide an overview of the scheme regulations and should not be regarded as a complete guide
 - Please note that it is the responsibility of each FRA to apply the rules of the pension scheme in accordance with their interpretation of the scheme and to obtain legal advice where they consider this is necessary.
 - The information contained in these slides have been provided to give some guidance on the rules of the pension scheme, however they should be used only as an informal view of the interpretation of the firefighters' pension scheme as only a Court can provide a definitive interpretation of legislation.
-

Funding

- 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.
-

1992 Firefighter Pension Scheme

- Open to regular firefighters
- 1/60th accrual rate
- Double accrual after 20 years
- Maximum service is 30 years
- Earliest retirement age 50
- Final Salary scheme
- Actuarial commutation factors
- Injury benefits
- Built in ill-health benefits/life cover
- Pension for Widow's/Children
- Deferred pension age 60



2006 Firefighter Pension Scheme

- Open to regular and retained firefighters from 6th April 2006
- 1/60th accrual rate
- Maximum service 45 years
- Retirement age 60
- Earliest retirement age 55 (subject to re
- Final Salary Scheme
- Commutation based on 1 : 12 ratio
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children
- Deferred pension age 65



Special Members of the NFPS 2006 Firefighter Pension Scheme

- Ability for those retained who were excluded from a scheme from 2000 – 06 to join a scheme similar to the FRS 1992.
- Benefits reflect 1992 scheme (in part)
- Incorporated into 2006 scheme
- Accrual rate 1/45th
- Normal pension age 55
- Deferred pension age 60
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children
- The options exercise ended September 2015.



2015 Firefighter Pension Schemes

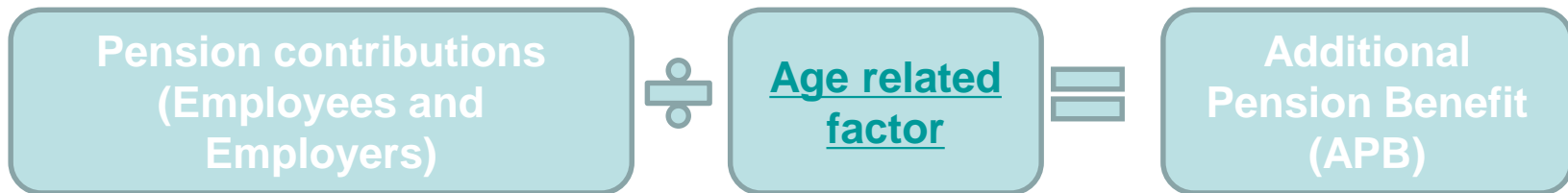
- All members transferred in April 2015
- Transitional protections apply for existing members of 1992/2006 scheme
- Accrual rate (currently) 1/59.7ths
- Retirement Age 60
- Earliest retirement age 55 (subject to rec)
- Career Average scheme
- Individual Pension accounts
- Deferred pension age equal to State Pei (min 65)





Final Salary Discretionary Benefits (APB)

1. Allowance or supplement to reward additional skills and responsibilities
2. Continuous Professional Development (CPD)
3. Temporary promotion, which began after 1 July 2013
4. Performance Related Payment

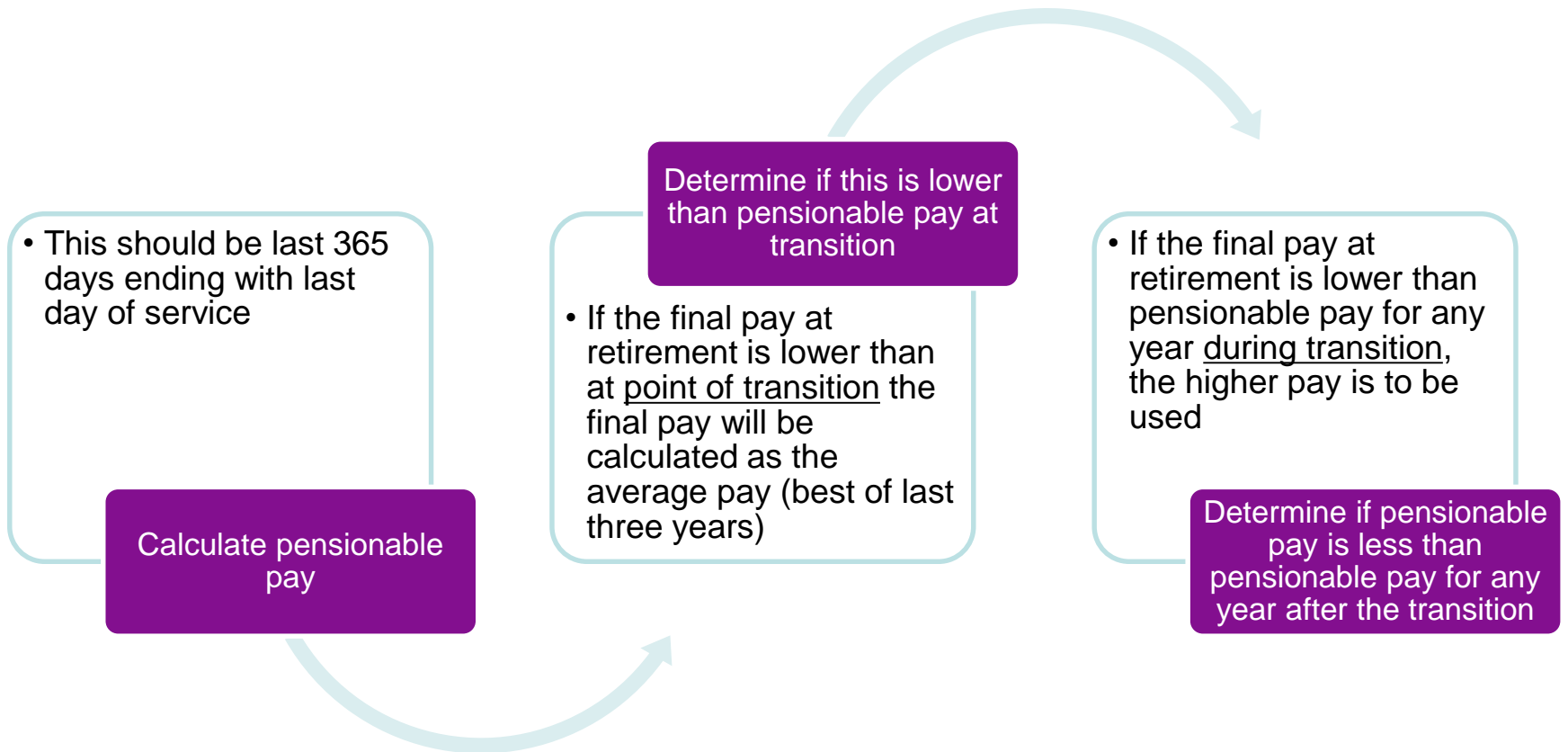


APB Factsheet

Double Accrual Guarantee

- Recognises the expectation to double accrual for members in the 'old' 1992 Fire scheme.
 - Pro Rata's the expected benefit
 - [Transitional Member Guidance](#)
-

Pay Protections



Re-employment after retirement

Pension will be subject to abatement where an employee retires and begins drawing their pension and is either:

- re-employed by any Fire Authority in any capacity or
- continues in the employment of a Fire Authority
- Abatement to pension applies if the new salary, plus the pension they are in receipt of, is more than their salary they received while previously employed, then that excess amount is taken away from their pension whilst the member is re-employed.

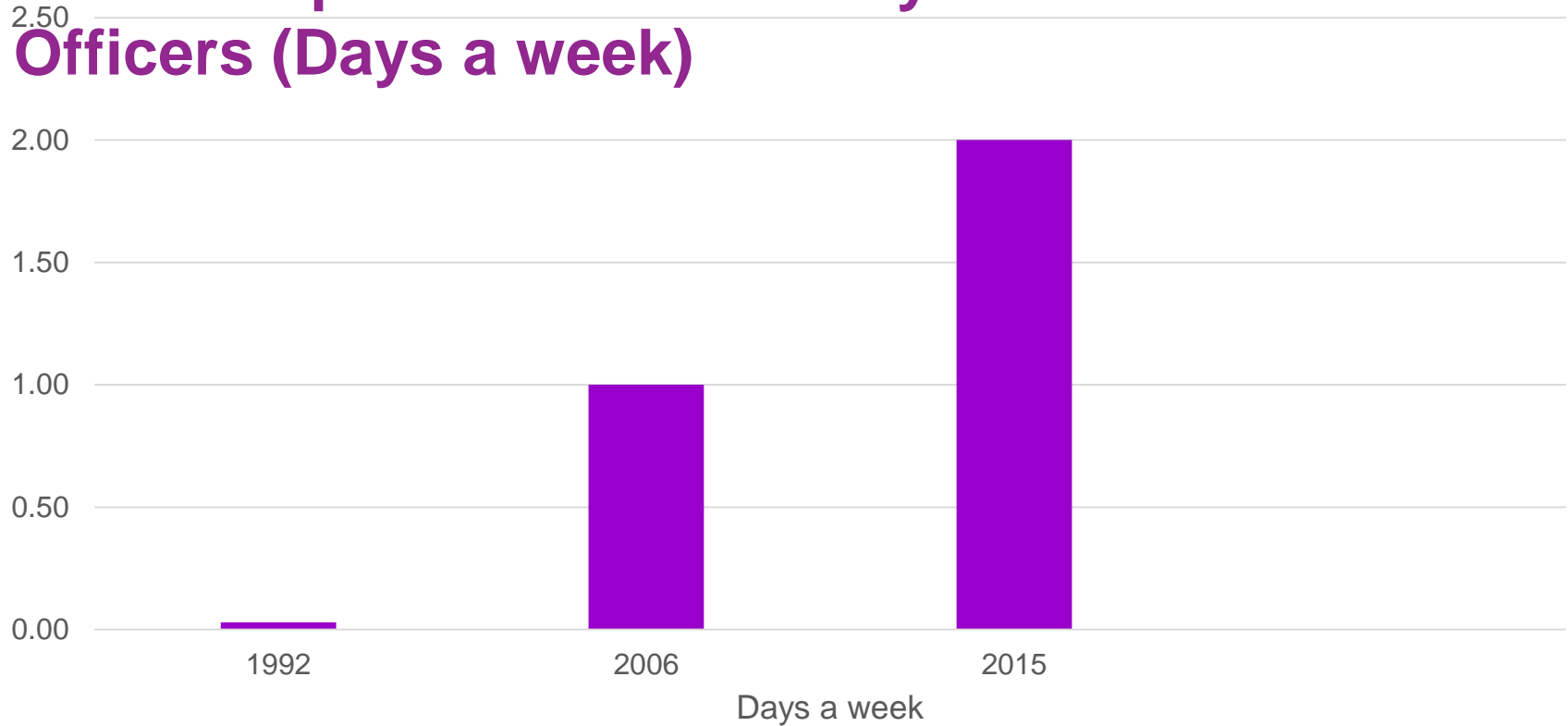
[Abatement Factsheet](#)

Nobody told us!

- Drop in pay triggering two pension entitlement
- Temporary Promotion pensionable under a discretionary APB only
- Transition to 2015 scheme (Ill-Health)
- Re-employed with another Fire Authority
- Eligibility of the scheme [Eligibility Factsheet](#)
- How to determine pensionable pay
- Special members of the 2006 scheme



Overall effect of changes in the last ten years on the time spent on Pensions by HR and Finance Officers (Days a week)



Illustrative only

Scheme Comparison

Feature	1992 Scheme	2006 Scheme Standard Members	2006 Scheme Special Members	2015 Scheme
Basis of pension	Final salary	Final salary	Final salary	(CARE)
Accrual rate	40/60ths 1/60 th (2/60 th after 20 years)	1/60 th	1/45 th	1/59.7 th
Benefit / Membership Cap	40/60 th	45 years	30 years	None
Revaluation rate	n/a	n/a	n/a	Average Weekly Earnings

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.
-

LGA Framework and Support Services

- Forums and Groups
 - Technical group
 - Communications group
 - Regional groups
 - AGM
 - Monthly Bulletins
 - www.fpsregs.org
 - Technical Support
-

LGA Internal Representation



Over 35
attendances
during 2018

LGA External Representation





Question 3

- How comfortable do you feel that the right processes are in place?
 - Eligibility to scheme
 - Pensionable Pay decisions understood and made correctly
 - Scheme discretions such as temporary promotion
 - Data is shared with administrators, on time and accurately

**WOULD YOU DO ANYTHING DIFFERENTLY
FOLLOWING TRAINING?**

Other guidance

- [Ill-Health and Injury Quick Guide](#)
 - [Survivor Benefits](#)
 - [Transfers](#)
 - [Special Members of the 2006 Scheme](#)
 - [Transitional Member Guidance](#)
 - [Pensionable Pay and Case Law](#)
 - [Factsheets](#)
-

Scheme Regulations

- FPS 1992 Regulations

<http://www.fpsregs.org/index.php/regulations/fps-1992->

- FPS 2006 Regulations

<http://www.fpsregs.org/index.php/regulations/fps-2006-regulations>

- FPS 2015 Regulations

<http://www.fpsregs.org/index.php/regulations/fps-2015-regulations>

- Firefighters' Compensation Scheme

<http://www.fpsregs.org/index.php/regulations/firefighters-compensation-scheme>



Session Two

Current Landscape

- Public Sector Pensions Tax
- Scheme Return - Data Scores
- Scheme Reconciliation
- Amendment Order 2018 & 2019
- Exit Cap
- Dashboards
- SAB benchmarking review



Public Sector Pensions Tax

- How well do you feel you understand pensions tax?
 - Do you have a VSP policy?
 - How do you support staff understanding their individual responsibilities?
 - SAB collecting information, have you responded?
-

Data scoring

- Data underlines everything in pensions – how good is yours?
 - In this years scheme return TPR will be asking schemes to provide their scheme specific data score
 - [Data Scoring Guidance](#)
 - TPR Data Measuring [Guidance](#)
-

Reconciliation Stages

Stage 1

- Request HMRC Data and perform initial analysis

Stage 2

- Reconcile

Stage 3

- Update Scheme Data
-

Survivor benefits – Court Judgments

- [‘Brewster’](#) – Nomination of cohabiting partner
 - Amended by 2018 amendment order removing requirement to nominate

 - [Walker](#) – Same Sex marriage / Civil Partner Survivors pension
 - Amended by 2019 amendment orders
-

Amendment Order 2018 – Technical Note

1. To ensure that the indexation of two pensions is understood and properly applied.
 2. To ensure a policy is in place for exercising VSP and that Firefighters are aware of how they would request any tax charge to be paid.
 3. To ensure that members in the 2006 scheme are communicated to with regards to nomination requirements.
-

Amendment Order 2019 – Technical

Note

1. Makes minor amendments to two pension rule.
 2. Removes the limitation on service used for the calculations of an award for a surviving civil partner / same-sex marriage. Will require Fire Authority to –
 - Identify members of the scheme who may be affected by the changes
 - Identify deaths and make retrospective payments that may be due to the estate
 - Identify whether qualifying members have transferred out benefits and whether further retrospective payments are due.
 3. LGA response to consultation
-

£95k Exit Cap

- Consultation now [open](#) – runs to 3 July 2019
- Enhanced Commutation
- Authority initiated early retirement

Guidance for green book staff who are members of the Local Government Pension Scheme (LGPS) is available in the [LGPS library](#)

Are you dashboard ready?

- A platform to allow savers to view all their pension pots through a single portal.
- DWP have [consulted](#) on dashboards. To be compulsory but public sector expected not to join for 3 / 4 years.
- LGA [response](#) to consultation
- Further information can be found on <https://pensionsdashboardproject.uk/>

What we know

Firefighters' Pension Schemes Regulations and Guidance

[Welcome](#)
[Regulations](#)
[Bulletins and Circulars](#)
[GAD Guidance](#)
[Administration Resources](#)
[Legal Landscape](#)
[Contact Us](#)
[Search](#)



Source: www.fprsregs.org/

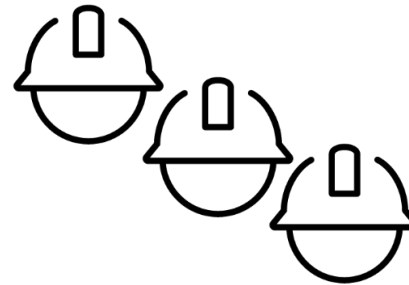
££ Member contributions: 8.5% to 17% of pay
 Employer contributions: 14.3% to 21.7% of pay

What we don't know

How much are scheme management costs?
 How effective is scheme administration?

	Total
Number of pensioners	41,731
Total deferred members	12,161
Active regular members	22,944
Active retained members	8,440

Source: Home Office, Fire statistics Table 1304



45 Fire
 authorities

The purpose of the review



How effective is scheme administration?

- Do members receive a good service?
- Are the right benefits paid at the right time?



What are the costs of running the scheme?

- Explicit costs
- Implicit costs
- “Extra” costs



Are there any themes / patterns?



Could anything be done differently/better?

No preconceptions, no naming and shaming



Question 4

- Do you have any tax challenges?
- Who leads your approach to communicating to members?
- Confident actions are taken appropriately following amendment orders?
- Are you aware who responded to the benchmark survey?

**WOULD YOU DO ANYTHING DIFFERENTLY
FOLLOWING TRAINING?**

Recent Scheme News

Employer contributions to rise by 12.8%!

Cost Cap breached, member benefits to be improved

Firefighters win pension discrimination case

2016 Valuation Results

September
2018

- Draft results published
- Consultation with SAB

15 February
2019

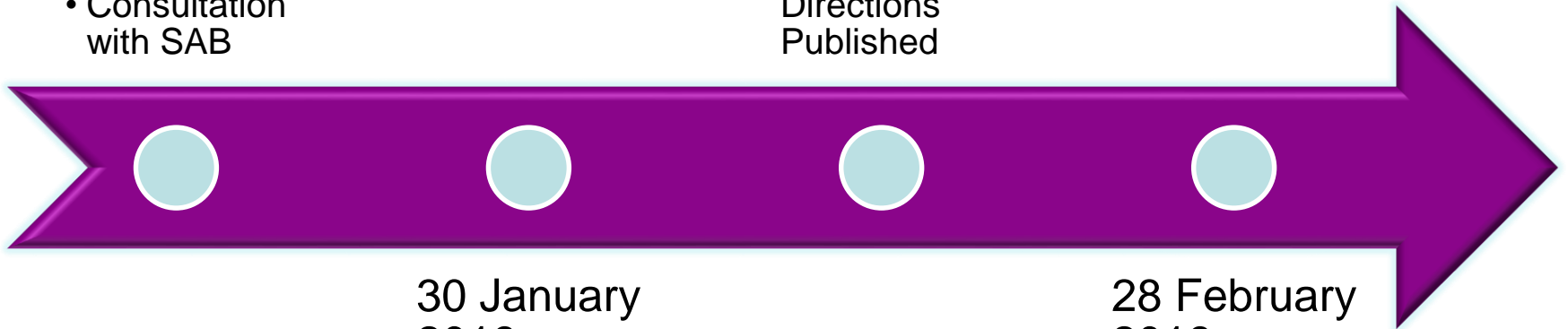
- Treasury Directions Published

30 January
2019

- Written Ministerial Statement

28 February
2019

- Valuation published



Employer Contributions

- Employer Contribution Rates increased

	1992	2006	2015	Average
2012	21.7%	11.9%	14.3%	17.6%
2016	37.3%	27.4%	28.8%	30.2%

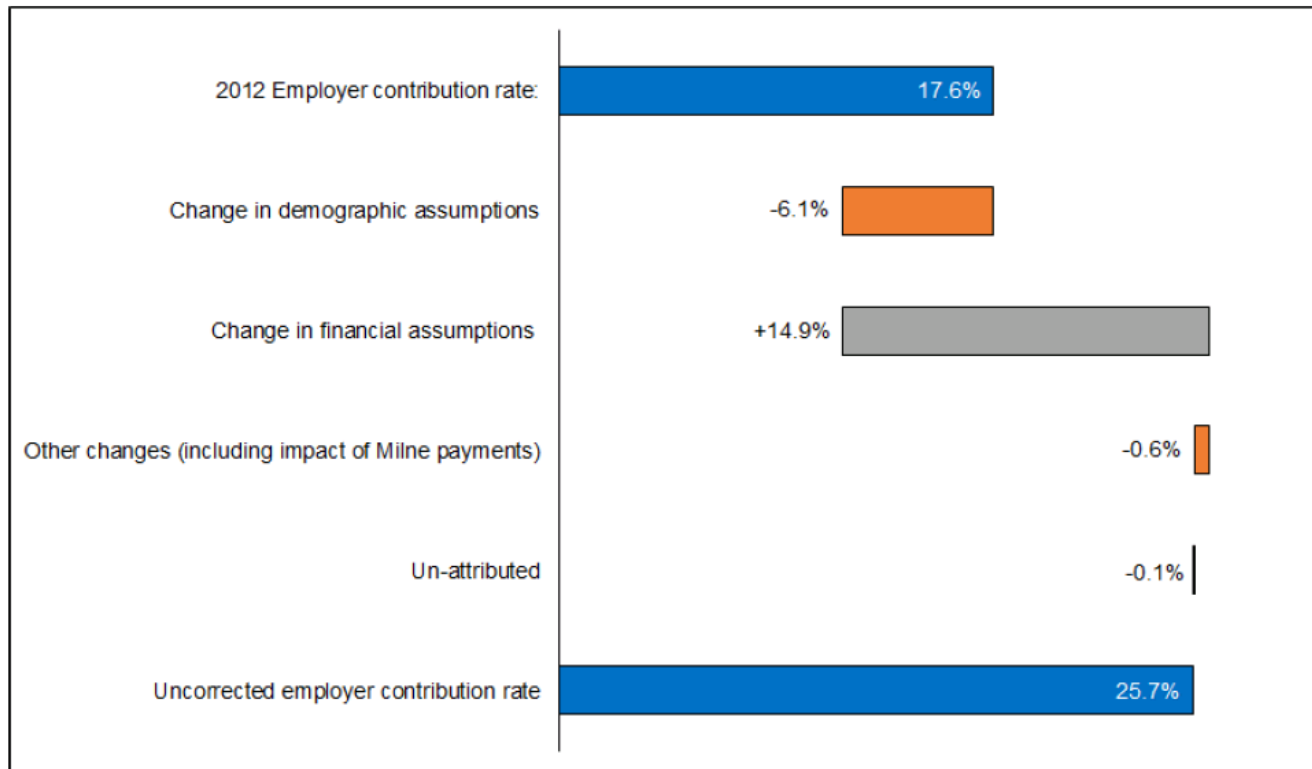


2016 Valuation - Employer contribution rate

- > The output of the 2016 valuation will be an updated employer contribution rate
- > Expected to apply from April 2019 to March 2023
- > Will allow for:
 - > Change to the interest rate (the SCAPE rate)
 - > Changes to salary growth, and other financial assumptions, set by HMT
 - > Latest mortality projections by ONS
 - > Impact of recent membership movements
 - > Changes to fire specific assumptions to adjust for recent experience in the Fire Scheme, eg retirement patterns, life expectancies

Employer Contributions – Main Impact

Chart 2.1: Difference between uncorrected employer contribution rate and employer contribution rate calculated at previous valuation (% of pensionable pay)



SCAPE Discount Rate

- [Budget 2016](#), discount rate reduced from 3% to 2.8%
 - [Budget 2018](#) reduces to 2.4% from 1 April 2019
-

Employer contributions

- Include
 - Milne Costs
 - Special Members of the 2006 Scheme
 - SAB consultation [response](#) dated 31 July 2017

“The Scheme Advisory Board’s firm view is that the cost of the Milne payments should not be reflected in the employer contribution rate. This should be considered a government cost.”
-

Cost Cap Cost

- The employer cost cap target of 16.8% was calculated at 11.6% for 2016, which triggers the mechanism for improvement.



Cost cap mechanism

- > What is it?
 - > A cost control mechanism introduced by HMT
 - > To maintain the cost of the fire scheme at a similar level to when the 2015 Scheme was introduced
 - > Monitored at each actuarial valuation
- > How is it expressed?
 - > A baseline cost was established at the 2012 valuation being **16.8%** of pensionable pay.
 - > Equates to the employer's share of the cost of the 2015 Scheme
- > Calculated in a different way to the employer contribution rate
 - > Assumes all active members are in the 2015 scheme

Cost Cap Results – Main Impacts

Chart 2.4: Employer contribution correction cost compared with the proposed employer cost cap (% of pensionable pay)

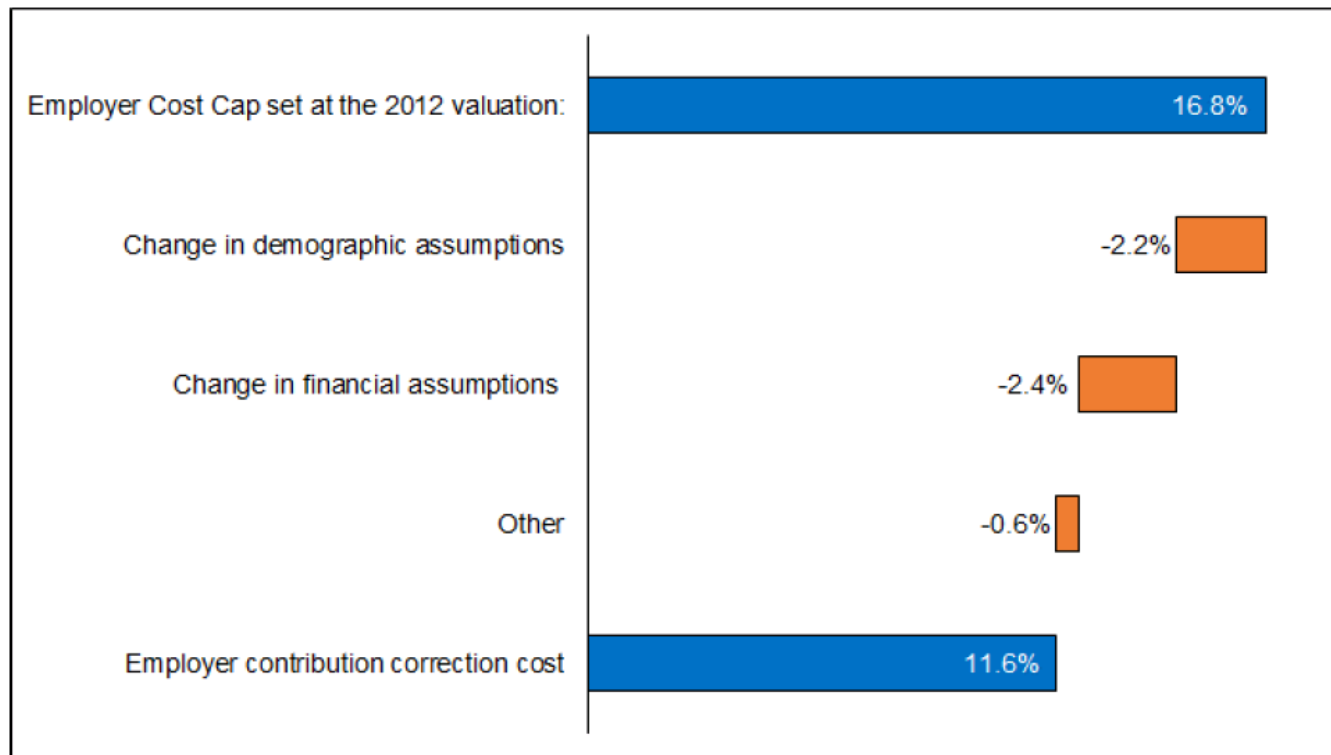


Chart 2.4

Cost Cap Process

- FPS [Scheme Advisory Board](#) consulted on changes to the scheme design for the 2015 scheme to align member costs to the target cost cap of 16.8%
 - The default mechanism if agreement cannot be reached is to change the accrual rate of the scheme, the **indicative** rate of this accrual rate change would be 1/51.2
 - [Written Ministerial Statement](#) on 30 January 2019 pauses the cost cap process
-

2015 Scheme Pension Pot – 1/59.7ths

Date from	Date to	Account Balance	Reval rate	Opening Balance	Actual Pay	Pension Build Up	Closing Balance
01/04/2015	31/03/2016	£0.00		£0.00	£29,850	£500	£500
01/04/2016	31/03/2017	£500	2%	£510	£30,500	£510.89	£1020.89
01/04/2017	31/03/2018	£1020.89	2.6%	£1047.43	£32,000	£536.01	£1,583.44
01/04/2018	31/03/2019	£1,583.44	2%	£1615.11	£32,700	£547.74	£2,162.85
01/04/2019	31/03/2020	£2,162.85	4%	£2249.37	£33,600	£562.81	£2,815.18
01/04/2020	31/03/2021	£2,815.18	1%	£2840.30	£35,000	£586.26	£3426.57
01/04/2021	31/03/2022	£3426.57	3%	£3529.36	£35,900	£601.34	£4,130.70
01/04/2022	01/04/2023	£4,130.70	2%	£4213.32	£36,500	£611.39	£4,824.71

What would improvements look like?

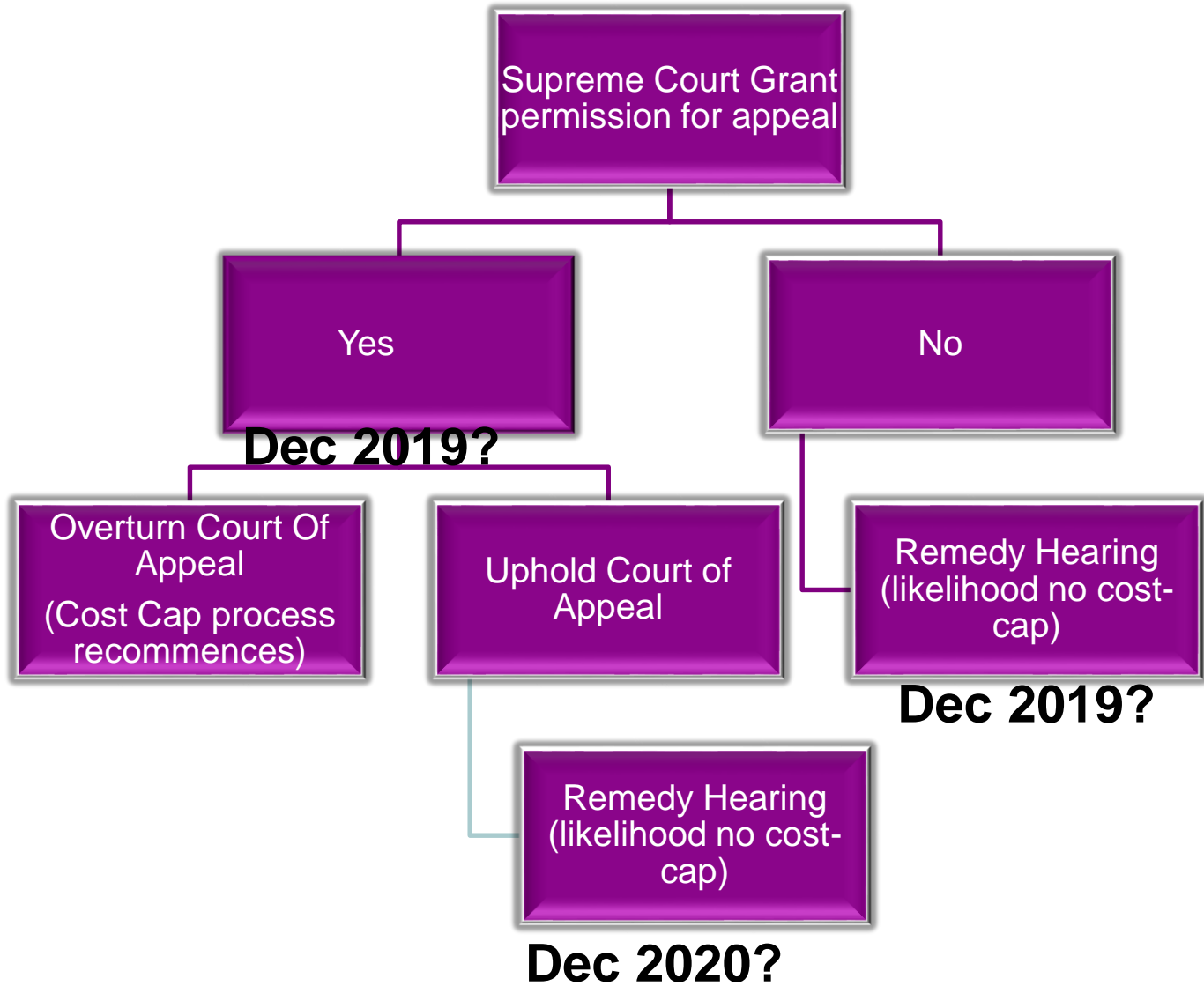
Date from	Date to	Account Balance	Reval rate	Opening Balance	Actual Pay	Pension Build Up	Closing Balance
01/04/2015	31/03/2016	£0.00		£0.00	£29,850	£500	£500
01/04/2016	31/03/2017	£500	2%	£500	£30,500	£510.89	£1020.89
01/04/2017	31/03/2018	£1020.89	2.6%	£1041.13	£32,000	£536.01	£1,583.44
01/04/2018	31/03/2019	£1,583.44	2%	£1,615.11	£32,700	£547.74	£2,162.85
01/04/2019	31/03/2020	£2,162.85	4%	£2,249.37	£33,600	£656.25	£2,905.62
01/04/2020	31/03/2021	£2,905.62	3%	£2,934.67	£35,000	£683.59	£3,618.27
01/04/2021	31/03/2022	£3,618.27	3%	£3,726.81	£35,900	£701.17	£4,427.99
01/04/2022	01/04/2023	£4,427.99	2%	£4,516.55	£36,500	£712.89	£5,229.44

Default improvement is to amend the accrual rate to 1/51.2

The transitional protections challenge

- Is it a proportionate means to achieving a legitimate aim?

	ET		ETA		Appeals	
	Judges	Fire	Fire	Judges	Fire	Judges
Legitimate aim	No	Yes	Yes	No	No	No
Proportionate means	No	Yes	Needs to be re-tested under UK law	No	No	No



- The case is on the [transitional provisions](#) of the 2015 scheme.
 - It is these provisions that allowed certain members by virtue of age to have benefits calculated under the 1992 scheme
 - The [primary legislation](#) which restricts the continuing provision of final salary schemes has not been challenged
-

Remedy

1. How should the transitional provisions be made lawful going forward?
 2. How do you compensate taper protected and unprotected members who have been subject to those provisions since 1st April 2015
-

Session Three

Pension Board



The road to governance

Hutton
Report

PSPA 2013

TPR

Fire
Regulations

Section 5 – Pension Board

requires and defines a Pension Board:-

- (1) *Scheme regulations for a scheme under section 1 must provide for the establishment of a board with responsibility for assisting the scheme manager (**or each scheme manager**) in relation to the following matters.*

- (2) *Those matters are—*
 - (a) *securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;*
 - (b) *securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;*
 - (c) *such other matters as the scheme regulations may specify.*

- (4) *(c) requiring the board to include employer representatives and member representatives in equal numbers*

4A : Pension Board Establishment

Requires establishment of board to assist the scheme manager

- [1(a)] to Secure compliance with :-
 - Scheme regulations and any other relevant legislation
 - Pension Regulator's codes of practice, etc
 - [1(b)] in the performance of the scheme managers functions under these regulations
-

Board Members Responsibilities

- Notify Scheme Managers of Conflict of Interest
 - Keep Code of Conduct
 - Comply with TPR Code of Practice
 - Report Breaches of Law
 - Gain knowledge and Understanding
 - Assist Scheme Manager
-

Pension board assistance

- Compliance of duties under the regulations and relevant legislation
 - Effectiveness of processes for the appointment of advisors and suppliers
 - Identify improvement of customer services
 - Identifying patterns of complaints
 - Reviewing the performance of administration
 - Reviewing the process for sharing data
-

Nobody told us!

- Drop in pay triggering two pension entitlement
 - Temporary Promotion pensionable under a discretionary APB only
 - Transition to 2015 scheme (Ill-Health)
 - Re-employed with another Fire Authority
 - Eligibility of the scheme [Eligibility Factsheet](#)
 - How to determine pensionable pay
 - Special members of the 2006 scheme
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Internal Dispute Resolution

- Guidance in [FPSC 1/2009](#) and [Bulletin 9](#)
1. First stage considered by Chief Fire Officer or a delegated senior manager (six months)
 2. Second stage considered by elected members (six months)
-

Administration

- How are SLAs set?
 - Are roles and responsibilities clear
 - What services does the administrator offer?
 - Regular meetings
-

Breaches of the Law

- Who should report
 - Managers of the scheme
 - Pension board members
 - Administrators
 - Employers
 - Professional Advisers
 - Those involved in advising the scheme manager

[TPR Guidance](#)

[SAB Breach Assessment Guidance](#)



Question 5

- Are you comfortable that you assist the scheme manager
 - Do you report to the scheme manager
 - Are the right processes in place?
 - Are you confident that risks are managed?
-

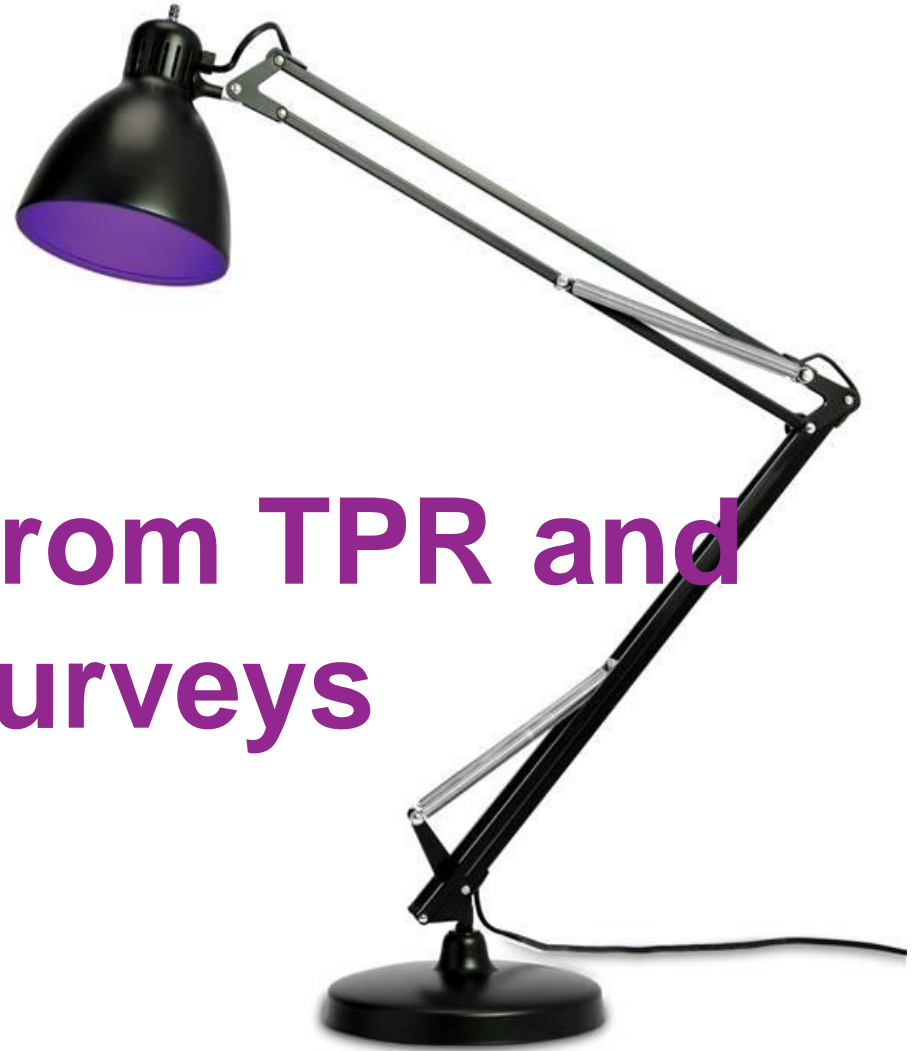


Question 5 contd....

- Record keeping
 - Have you completed scheme reconciliation
 - What was your data score?
- What are your priorities for coming year

**WOULD YOU DO ANYTHING DIFFERENTLY
FOLLOWING TRAINING?**

Key themes from TPR and SAB Surveys



TPR focus

- Ongoing risk assessment and intelligence gathering
 - 2016 survey 90% response rate covering 98% of combined membership
 - 2017 survey 92% response rate covering 98% of combined membership
 - www.tpr.gov.uk/docs/public-service-research-2018.pdf
- Key focus areas:
 - record-keeping and data quality

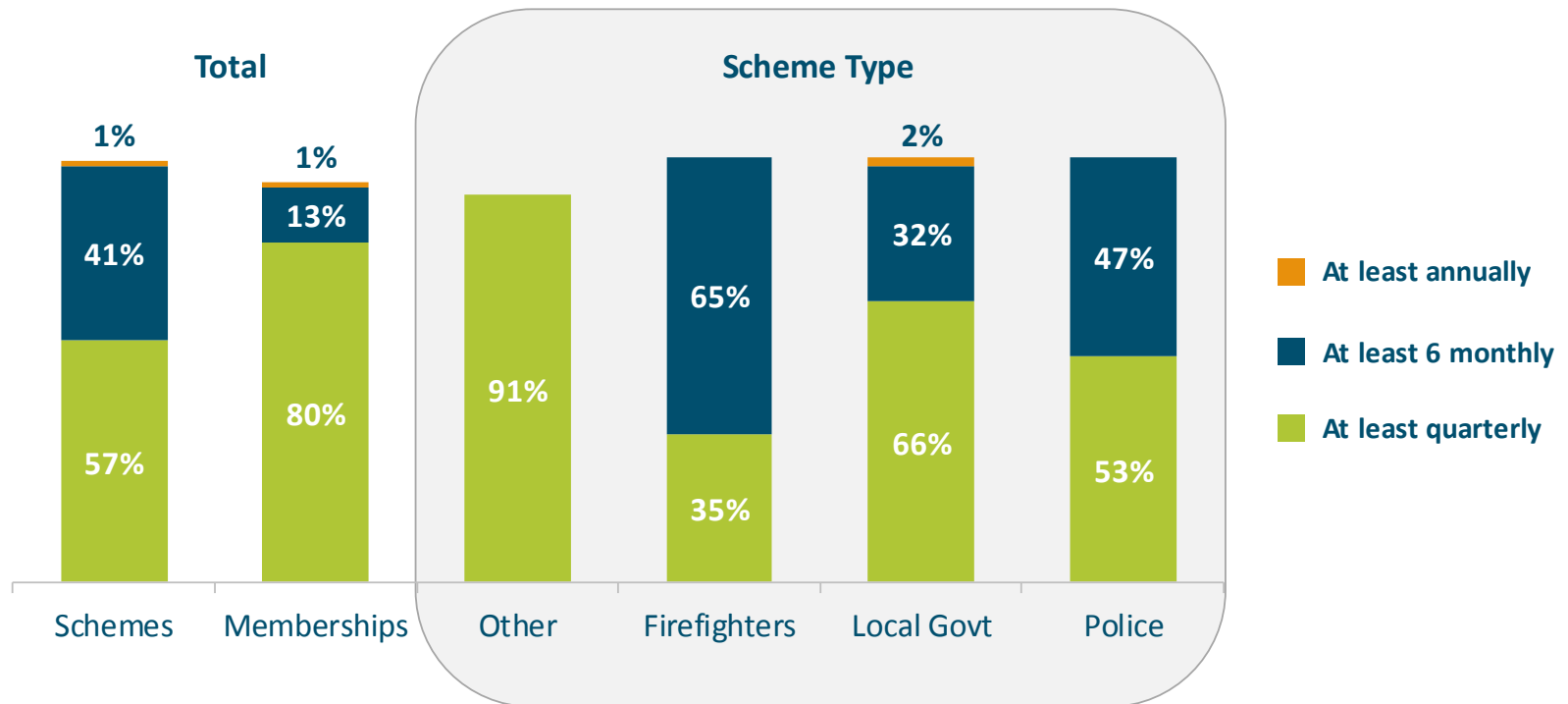
We will use our educate/enable/enforce regulatory approach to help schemes comply and address key risks

Does your board check that the scheme manager has responded?

The Pensions
Regulator

Scheme governance - 2017 survey findings

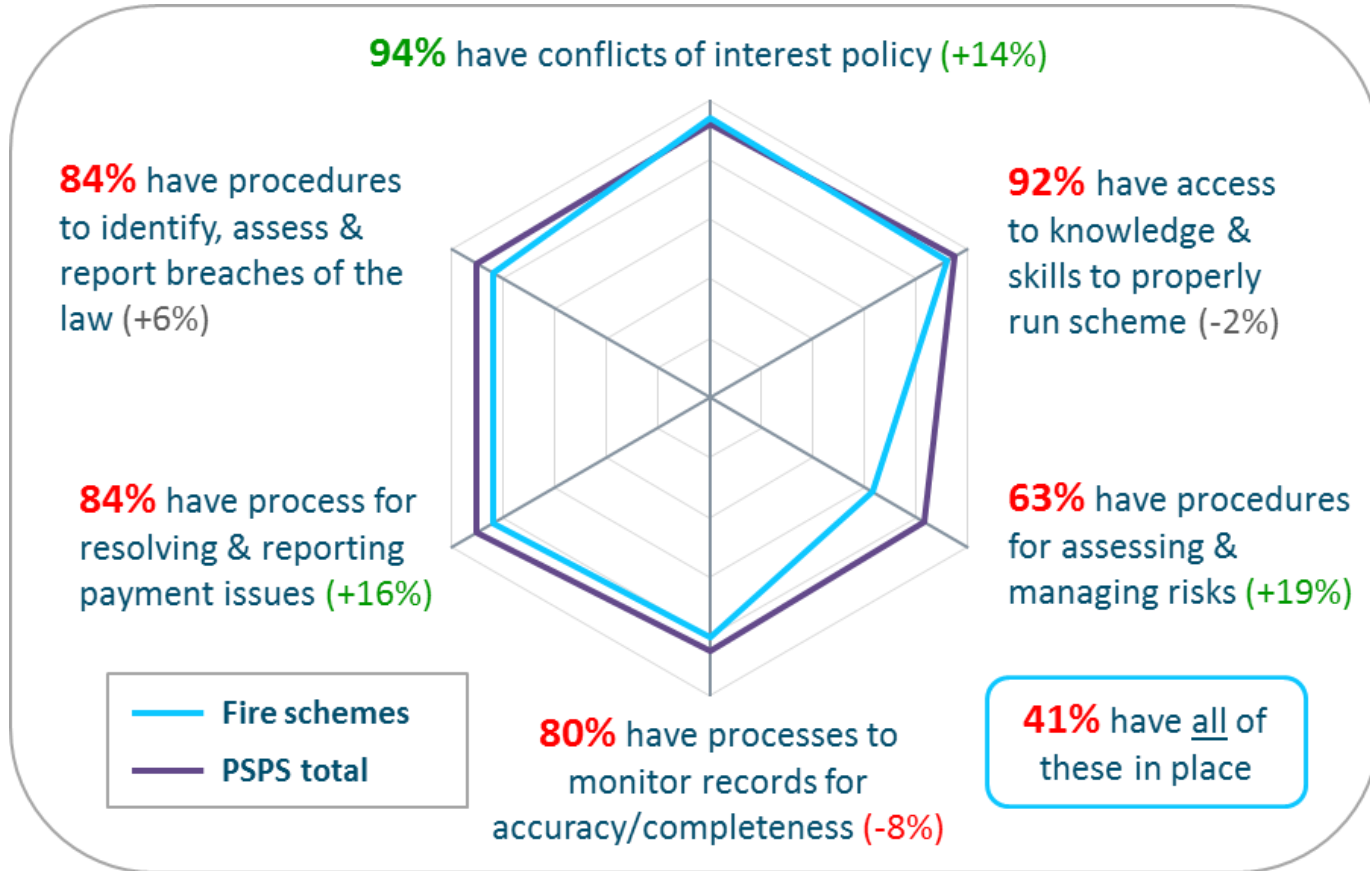
Frequency of pension board meetings



More than half of boards meet at least quarterly. There has been an increase since 2016 in scheme managers (or their representative) attending meetings.

Do you have all six key processes in place?

Key processes



Only 41% of fire and rescue schemes have all six key processes in place

Internal controls - all schemes

Risk management



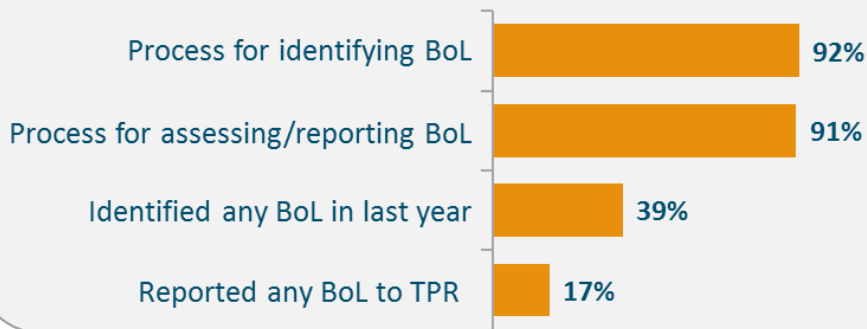
Top 3 risks

Securing compliance with legislation	45%
Record keeping	39%
Funding or investment	35%

Top 3 causes of breaches of the law

Failure of employers to provide timely, accurate or complete data	57%
Systems or process failure	41%
Failure to maintain records or rectify errors	18%

Breaches of the law



The top cause of breaches of law is failure of employers to provide timely, accurate or complete data

Internal controls - fire

Internal controls

69% of schemes have a risk register

35% review exposure to new & existing risks at least quarterly

29% identified breaches of the law in last 12 months (vs. 39% overall)

10% reported any breaches to TPR in last 12 months (vs. 17% overall)

red figures indicate result is lower than PS total
(any difference, not just statistically significant ones)

The top cause of breaches of law is failure of employers to provide timely, accurate or complete data

Improving your data - (i)

- Scheme managers should undertake an annual data review and put in place an improvement plan where they identify issues
- Our quick guide (www.tpr.gov.uk/docs/improve-data-guide.pdf) can help you design a plan or assess an existing one, setting out key areas to consider:
 - objectives, outcomes, scope and prioritising, activities, dependencies, timeframes and timelines, resourcing, governance
- Accurate records are key to ensuring
 - the right members get the right benefits at the right time,
 - accurate valuations and calculation of the cost cap
- Poor data integrity has a real impact on members

Record keeping - overview

- We consider 90% of employers providing good quality data to be an important threshold
- 62% of all schemes reported that that at least 90% of their employers provided **timely data**
- And 55% of all schemes reported that at least 90% of their employers provided **accurate and complete data**

What proportion of your scheme's employers provide you with timely, accurate and complete data?

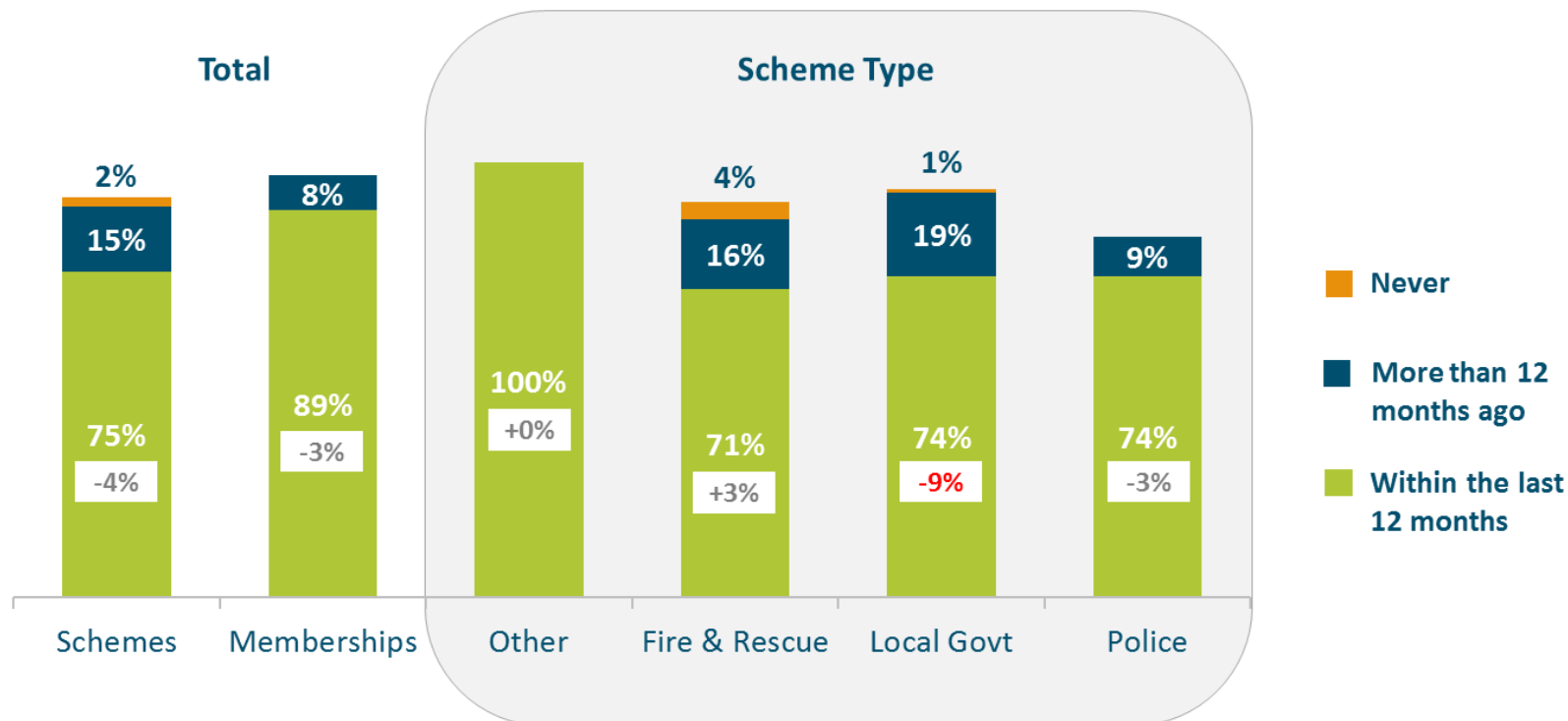
Proportion where at least <u>90%</u> of employers provide:	Schemes	Memberships	Other	Fire & Rescue	Local Govt	Police
Timely data	62%	54%	55%	71%	51%	79%
Accurate/complete data	55%	39%	36%	65%	41%	79%

All respondents (**Base, Don't know, Did not answer question**) - Schemes (191, 9-12%, 2%), Memberships (191, 2- 14%, 0%), Other (11, 0-18%, 0%), **Fire (49, 20-22%, 2%)**, LG (88, 6-7%, 0%), Police (43, 7-9%, 7%)

In FPS, the proportion of schemes that did **NOT** report that that at least 90% of their employers provided timely data was **45%*** - and **50%*** did **NOT** report 90%+ accurate and complete data (* includes 23% of FPS schemes that didn't know or respond).

Data review

When did your scheme last carry out a data review exercise?



Three-quarters of schemes had carried out a data review in the last year and only 2% have never done this – similar picture to 2016

Coverage of data review

Did the data review look at any of the following?

(All that had carried out a data review)

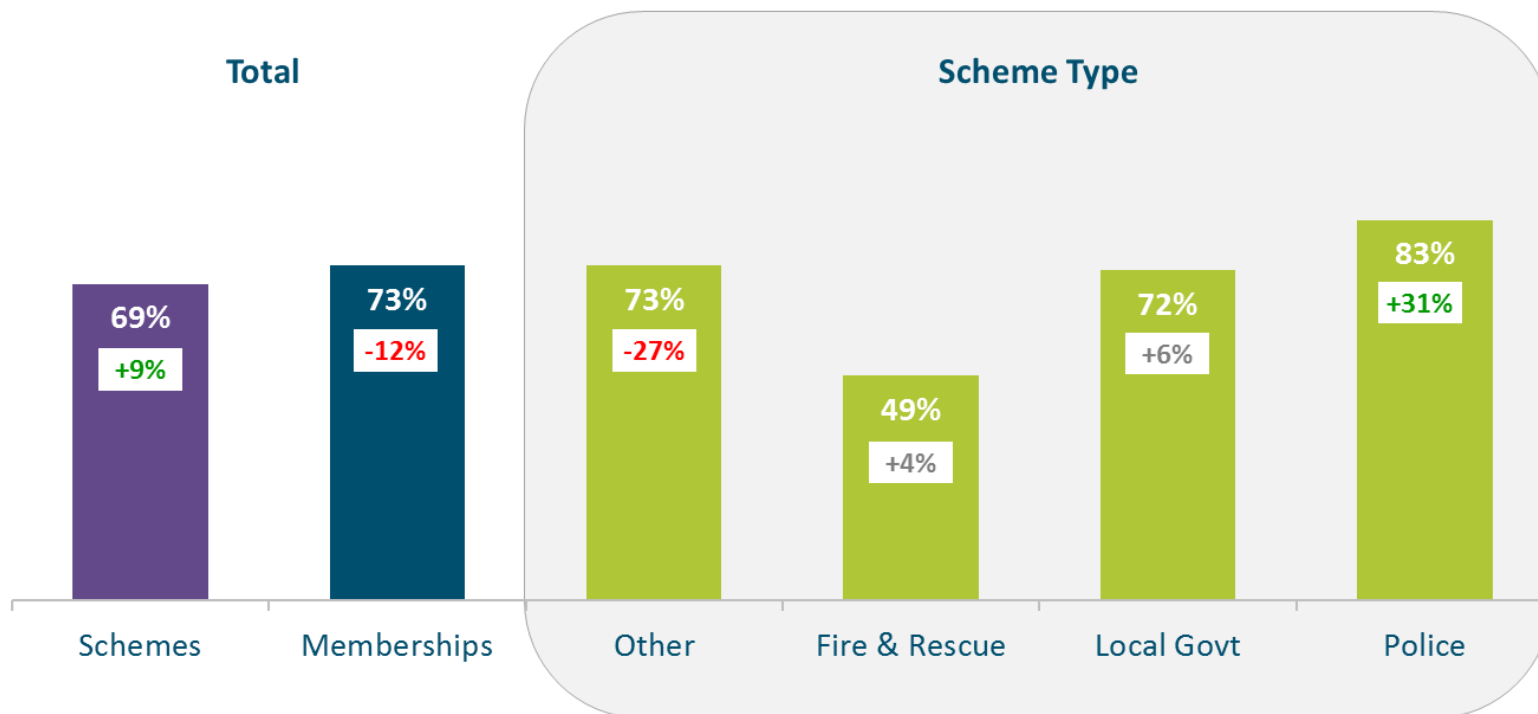
	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire & Rescue	Local Govt	Police
Members' basic details (e.g. name, DOB & NI number)	89%	95%	100%	86%	88%	92%
Salary or earnings data	80%	86%	91%	84%	77%	81%
Address data	74%	79%	82%	67%	76%	78%
Member benefit data	72%	78%	82%	65%	71%	81%
Key dates held on member records	68%	85%	100%	72%	60%	72%
Contracted out data	62%	68%	73%	51%	61%	72%
Existence checks	61%	76%	82%	60%	67%	42%
Other	9%	4%	0%	12%	10%	8%

Other responses include: GMP reconciliation (2%), "transfers in" data (1%) & nominations data (1%)

Schemes are most likely to review members' basic details but a broad range of other data types are typically included.

Identification of issues from data review

Proportion of schemes where “most recent data review exercise identified any issues or problems”
(All that had carried out a data review)



An increase since 2016 in the number of schemes identifying issues, driven by significant improvement among police schemes. Fire schemes still least likely to identify issues.

Scheme return requirements 2018

- From 2018 will be asked to report on:
 - when scheme last measured common data
 - common data score
 - when scheme last measured scheme-specific (conditional) data
 - scheme specific data score
- This will help us understand and segment the landscape and target interventions / track progress
- Common data = data used to identify members (eg DOB, NINO, name)
- Scheme specific data = other data needed to run the scheme:
 - in public service schemes this includes data required by the regulations, data needed for valuation, compliance with scheme regulations etc
- This change for public service schemes may require systems and process changes
- Data measuring guidance - www.tpr.gov.uk/docs/measure-data-guide.pdf

What was your data score?

The Pensions
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SAB Survey

- **Between December 2017 and January 2018, FRAs were invited to participate in the SAB survey, we had a 73% response rate – Is that good?**
- **Designed to measure engagement and compliance of boards to establish where targeted support could be offered**
- **Read the full report [here](#)**

➤ **Key themes to boards working well**

Joint working and collaboration, positive engagement between scheme manager and board

Good attendance and regular meetings

Implementation of key documents, risk and breach registers, action plans and training logs

Increased awareness of issues affecting the FPS

Performance and annual reporting

Improved scheme communications

Ability to monitor compliance

➤ **Key themes to areas for improvement**

Implementation and publication of key documents, risk and breach registers

Turnover of board members and subsequently keeping skills up to date

Formation of joint ie regional boards

Training

Increase profile of board within organisation

Increase number of board members

Scheme manager communication / engagement and attendance at meetings



Question 6

- Is there an appropriate focus on data to satisfy TPR?
 - Have you reviewed your frequency of meetings?
 - Do you have all of the six TPR processes in place?
-

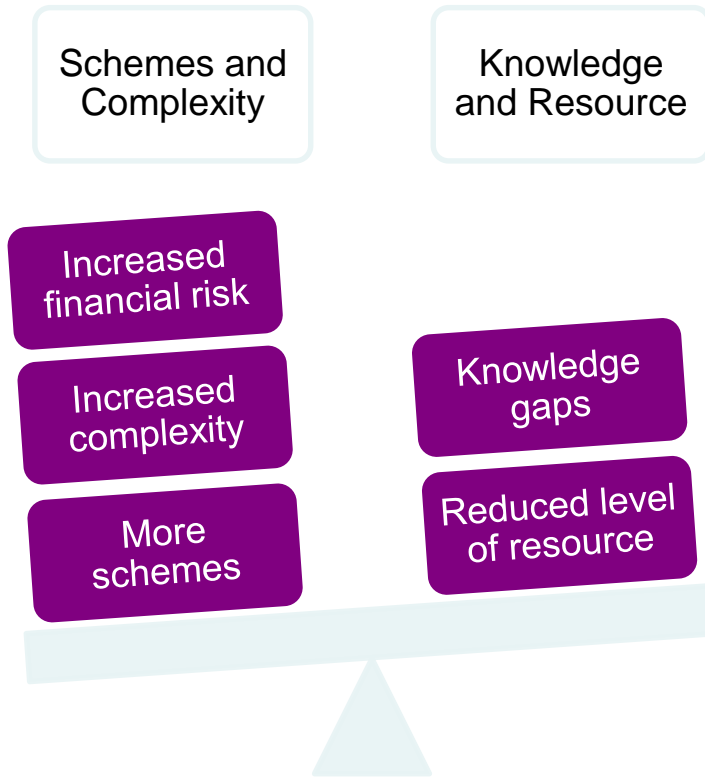


Question 6 contd....

- Do you have the appropriate internal controls
- Do you understand the procedure for reporting and recording breaches?

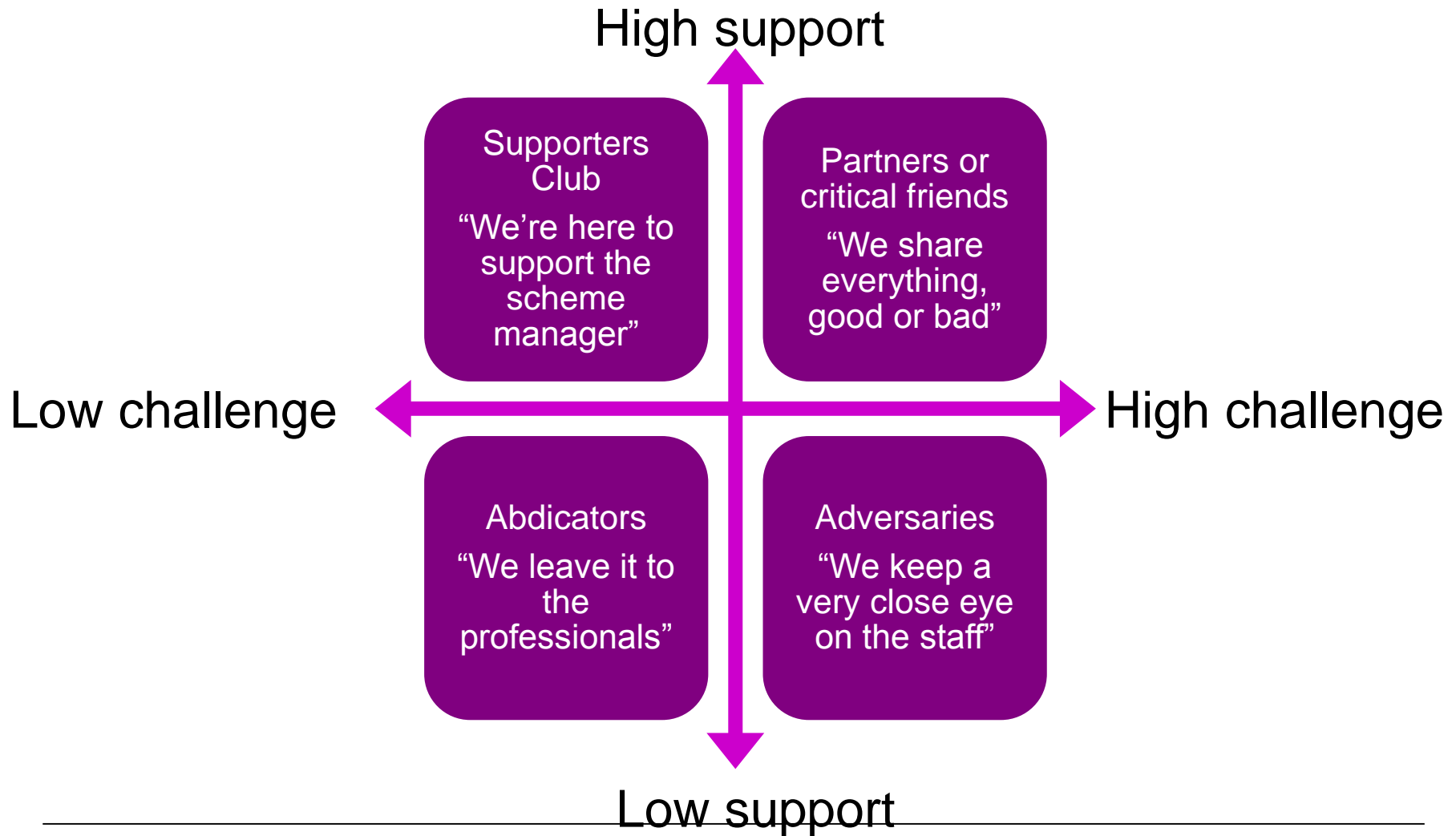
**WOULD YOU DO ANYTHING DIFFERENTLY
FOLLOWING TRAINING?**

Getting the right balance

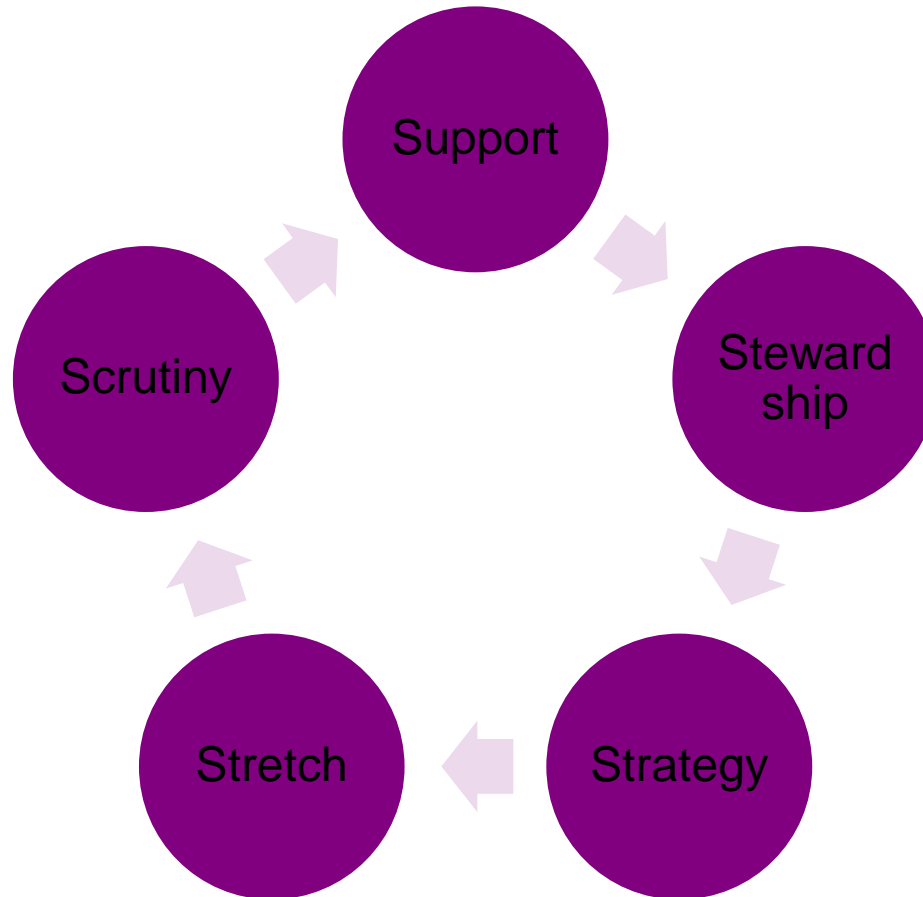




Behaviours of a high performing board



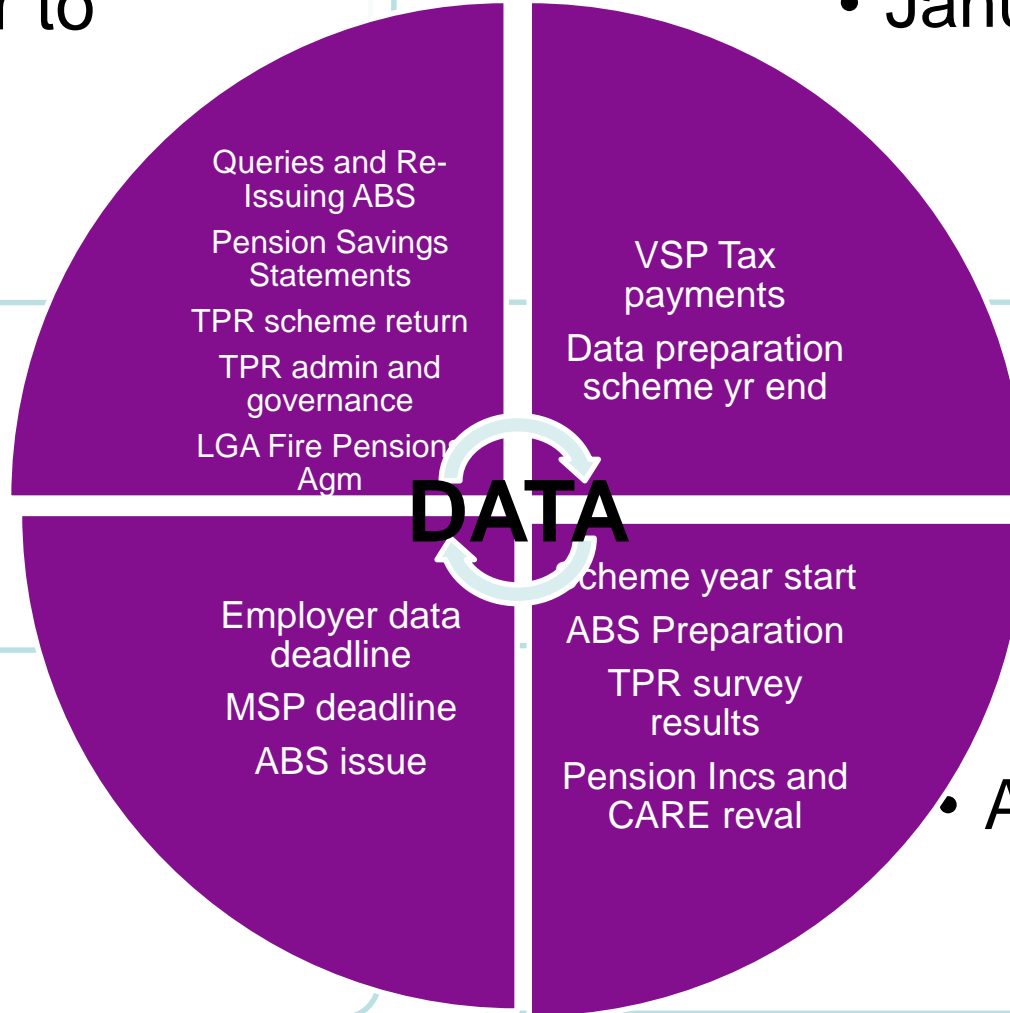
The five S's in governance



Scheme Year Cycle

• September to December

• January to March



• June to August

• April to June

Risk

Regulatory and Compliance	Financial	Operational
Non compliance with TPR	Excessive Charges	Member Data
Failure to interpret regulations	Pension Fund accounting mistakes	Administrative failures
Failure to comply with disclosure requirements	Authority costs due to failure to apply scheme / tax rule correctly	Premises
Failure to communicate with scheme members	Failure to deduct correct employee contributions	Software
	Fraud	Workforce planning

Regular assessment?

Risk is a driver for improvement



TPR Assessment Tool

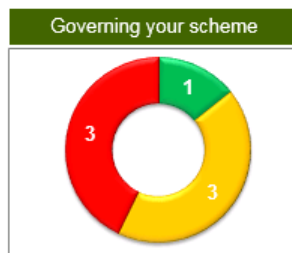
Results

Using this report

In this report we have provided an indicative risk rating for each answer you selected, alongside some guidance and links to additional information. This report does not provide an assessment of compliance with the law – it indicates areas that might be of particular concern and where you may wish to focus. You should seek legal advice where required.

To minimise the risk of non-compliance with the law, you should conduct a comprehensive review of your scheme against the requirements set out in the legislation and the guidance provided in our code of practice. Statistics refer to findings from TPR's 2015 survey into the Governance and Administration of Public Service Schemes.

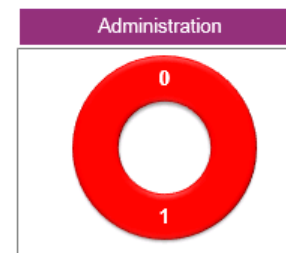
A summary of your results



Percentage of questions answered: **88%**



Percentage of questions answered: **17%**



Percentage of questions answered: **13%**

How are you doing?

	Governing your scheme	Managing risks and issues (internal controls)	Administration
Low			
Medium			
High			

Reporting and recording breaches

Potential investigation outcomes				
	Cause	Effect	Reaction	Wider implications
Red	Pension board members have failed to take steps to acquire and retain the appropriate degree of knowledge and understanding about the scheme's administration policies	A pension board member does not have knowledge and understanding of the scheme's administration policy about conflicts of interest. The pension board member fails to disclose a potential conflict, which results in the member acting improperly	Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours The scheme manager does not take appropriate action to address the failing in relation to conflicts	It is highly likely that the scheme will be in breach of other legal requirements. The pension board do not have an appropriate level of knowledge and understanding and in turn are in breach of their legal requirement. Therefore, they are not fulfilling their role to assist the scheme manager and the scheme is not being properly governed
Amber	Pension board members have gaps in their knowledge and understanding about some areas of the scheme's administration policies and have not assisted the scheme manager in securing compliance with internal dispute resolution requirements	Some members who have raised issues have not had their complaints treated in accordance with the scheme's internal dispute resolution procedure (IDRP) and the law	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	It is possible that the scheme will be in breach of other legal requirements. It is possible that the pension board will not be properly fulfilling their role in assisting the scheme manager
Green	Pension board members have isolated gaps in their knowledge and understanding	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach	It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager

<http://www.thepensionsregulator.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf>

Breach Assessment



Breach Assessment Template

Date of assessment

[Enter text about date of assessment and who assessment panel is]

Introduction

[Brief introduction to the breach being assessed]

Identified

[Enter text about how the breach was identified, for example it might be

- Tracked from agenda
- Tracked from LGA bulletins / technical note
- Informed by scheme manager / Pensions administrator
- Something else]

Assessment

[Using the [TPR guidance](#) comment on the four areas and score red, amber or green

	Cause	Effect	Reaction	Wider Implication
Red				
Amber				
Green				

Action

[Enter text about what the course of action is in response to the breach, including any timescales.]

Decision

Report as material breach	
Recorded as breach	

Assessed by:

Date of assessment:

Board Review:

Tabled at Board Meeting:

Agreed by board:

Draft

TPR quick guides

- Record keeping [link](#)
 - Improving your data [link](#)
 - Measuring your data [link](#)
-

What's on your agendas?

Recommended Agenda items

- Latest bulletin
 - Events
 - Survey responses
 - Consideration of Breaches
 - Scheme Manager Report
 - Updates on
 - Data Improvement
 - ABS cycle
 - Recommended actions in bulletin
-

Reporting

What makes a good report

- **Membership and meetings of board**
 - **Local arrangements**
 - **Board assessments**
 - **Identified Risks and Mitigation**
 - **Recorded Breaches**
 - **Data Review**
 - **Annual Workplan and reviews**
 - **Training**
 - **Expenses and Costs**
 - **Recommendations**
-



Question 7

- Perform an annual assessment
 - Have you reviewed your Terms of Reference recently? Are you comfortable with terms, positions and frequency. Examples of ToRs [here](#)
 - Annual workplan based on assessment
 - Have the right relationship with scheme manager -regular reports, catch ups?
-



**WOULD YOU DO ANYTHING DIFFERENTLY
FOLLOWING TRAINING?**

Any questions



Resources

- www.fpsboard.org
 - www.fpsregs.org
 - [Monthly bulletins](#)
 - [Local Pension Board Resources](#)
 - [SAB Minutes](#)
 - [Regulations](#)
 - [GAD Guidance](#)
-

Events and Training

- For details of all events please click [here](#)
 - Check out the calendar section of the [bulletins](#) for all up coming events
-

➤ **2019 Events and training**

Data: Pensions in a digital era	3 April 2019
Joint Governance Conference with Police Pensions	15 May 2019
Local Pension Board Wrap Up Training	18 June 2019
Ill-Health Workshop	19 June 2019
Pensionable Pay Workshop	18 July 2019
AGM	24 & 25 September 2019
Tax	12 November 2019

For booking links when available see [here](#)

Disclaimer

- **The information contained in these slides are the authors interpretation of the current regulations.**
 - **Readers should take their own legal advice on the interpretation of any particular piece of legislation.**
 - **No responsibility whatsoever will be assumed by LGA or their partners for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in these slides.**
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Thank you for listening

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