



Firefighters' Pensions England

Scheme Advisory Board
ADMINISTRATION AND BENCHMARKING COMMITTEE

ACTIONS AND AGREEMENTS

Thursday 6 June 2019

18 Smith Square, Westminster, London SW1P 3HZ

PRESENT

Des Prichard (DP)	Chair
Malcolm Eastwood (ME)	Scheme Advisory Board chair
Claire Neale (CN)	FRA representative (Hampshire)
Martin Reohorn (MR)	FRA/ Finance representative (H&W FRS)
Bob Walker (BW)	LPB representative (D&S FRS)
Vicky Jenks (VJ)	Technical/ Admin rep (Shropshire PF)
Craig Payne (CP)	Aon
Claire Hey (CH)	LGA – Board secretariat (minutes)

1. Introductions

- 1.1. Apologies were received from Clair Alcock. Jonathan Hurford-Potter was unable to attend and was substituted by CN.

2. Chair's welcome

- 2.1. DP welcomed all to the meeting, confirming that he will report back to the Scheme Advisory Board (SAB) on any outcomes. DP noted that Cllr John Bell has now retired from the Committee and a replacement SAB employer representative will be sought.

3. Review previous actions (7 February 2019¹)

- i. *Secretariat to progress development of data improvement template*

¹ <http://www.fpsboard.org/images/PDF/Adminsub/Minutes070219.pdf>

- 3.1. CH confirmed that a procurement exemption is being sought in order to accept the offer to produce a template data improvement plan without a tender process, as the value of the contract is below the procurement threshold. Any expenditure will be signed off by the SAB budget committee² before the relevant organisation are engaged.
- 3.2. DP requested that clarification over timescales be added to points ii. and v. of the workplan. The necessary amendments have been made under item 6.
- 3.3. The minutes of the previous meeting were agreed.

4. Admin & Management benchmark review - draft report (Aon)

- 4.1. CP attended the meeting to present Aon's initial draft report to the Committee in order to make any necessary adjustments prior to discussion at full SAB. CP advised that Aon have been working on costing information since distribution of the draft, so the version received is 98% complete.
- 4.2. ME noted a number of typographical errors and confirmed that the table on page 6 illustrating the number of FRAs by governance structure needed to be amended to include metropolitan authorities. CH confirmed that some of these discrepancies had already been addressed, and provided CP with a [link](#) to the current constitution of FRAs in England.
- 4.3. DP suggested the addition of a qualifying paragraph regarding the number of administrators providing an answer to each question which would weight the responses dependant on the number and size of FRAs administered, to relate the validity of the evidence to the recommendations. MR noted that administrators may also have different SLAs in place for each client.
- 4.4. CP confirmed that this could be taken into account, as administrators were asked to complete a separate survey for each client. A particular example of where differences could be impactful is the provision of member self-service.
- 4.5. CN suggested that it should be relatively straightforward to work out what percentage of scheme membership is affected by the 64% of administrators who do not currently offer an online self-service facility. BW supported the addition of an explanatory paragraph, and noted that self-service may have different definitions for administrators, for example a service that only displays annual statements, or one that allows for projections and amendments.
- 4.6. CP highlighted that data identity of respondents must be protected when considering further analysis and reporting. CP reassured ME that the report will be reviewed for error by Aon secretarial support prior to the SAB meeting.

² <http://www.fpsboard.org/images/PDF/Meetings/30112016/Minutes30112016.pdf> [Item 5]

- 4.7. CP noted within the executive summary the four key questions which the report sets out to address through themes and analysis. The first challenge is to define “good service”. This should be reflected by at least the bare minimum of timescales and expectations. The member survey did not indicate that benefits are not paid on time, with the exception of widows’ benefits.
- 4.8. When looking into data and services provided, the results indicate a good relationship between administrators and FRAs, with a high level of satisfaction on both sides in relation to the provision of data. However, member feedback suggests that data issues do exist, leading to complaints.
- 4.9. Overall, complaints are low and service appears to be satisfactory, with room for improvement. CP noted that it has been difficult to quantify the level of service provided, due to the variation in reporting standards.
- 4.10. CP stated that the biggest challenge has been determining the cost of administration per member. Although all FRAs responded, some did not provide cost information. CP asked whether the names of these authorities should be included in the report. MR and ME felt that caution should be exercised in this regard, as it may imply that all data which was provided is accurate.
- 4.11. CP confirmed that the report clearly states which data has been excluded, and that the data supplied can only be taken at face value on the assumption that it is correct. ME remarked that as all the results are non-attributable, should the report be used to specifically name those authorities who did not provide all information, which may discourage them from participating in future surveys.
- 4.12. MR asked how the cost per member compares to other schemes, to put the figures into context. CP noted that this is being investigated to include within the report, however, there is difficulty in identifying a comparable scheme. CP explained that the cost has been calculated by adding up the costs per FRA and dividing by the relevant number of members; any zero values have been excluded. CN stated the average LGPS cost is around £20-25 per member.
- 4.13. MR explained that during the tender process for H&W, it was noted that costs varied enormously due to the cost model of individual administrators. BW said that the recent history of the FPS may have driven up costs, i.e. FPS 2006 special members and the implementation of FPS 2015. CP clarified that the amount stated within the summary only includes day to day running costs; special projects are included separately in the full report.
- 4.14. CN observed that the cost appears to be over-inflated, as the figures have been split out by FRA and then added together. CP confirmed that this did present a difficulty as not all FRAs had provided costings, and it is recommended that costs are measured annually to refine the process.

- 4.15. DP asked whether a cost per member for each administrator could be identified, to drive recommendations on improved processes and allow benchmarking. MR reiterated that it depends significantly on the cost model and how administrators choose to charge for elements. BW agreed that lack of consistency causes issues and noted that these results should not be over-analysed; in general a greater number of members will equate to a lower cost per member.
- 4.16. ME emphasised that this is the year one result so there is no previous comparator, adding that the outcomes should promote engagement in future years. CP agreed that this is a reiterative process, and noted that the discussions have highlighted how challenging it has been to establish a cost per head for administration.
- 4.17. DP stated that the aim of the Committee is benchmarking and improving best practice. There is a need to be mindful that the evidence presented backs up the recommendations, and consideration should be given to how the report is received and perceived. In making recommendations, it should also be considered what would be viewed constructively by the Home Office.
- 4.18. DP continued that the report should take into account the structure of staffing at FRAs, for example, London Fire Brigade have no retained members. CIPFA allocate authorities into family groups, which may be helpful. VJ commented that member status within the scheme (active, deferred, pensioner) should be considered when establishing a per head cost, as FRAs have different splits. CP confirmed that member data has been obtained from GAD as at 31 March 2016 and an additional paragraph will be inserted to reference the variation in time/ resource taken to administrate different categories of member.
- 4.19. Moving on to the recommendations within the report, CP noted that a major theme emerging from all surveys surrounds the perceived complexity of the schemes, and the number of available discretions. CP asked for the Committee's views on whether local decision making could be reviewed. MR stated that the biggest complication is the variance of contractual arrangements at FRAs.
- 4.20. DP observed that large scale change to legislation is unlikely to be possible, although as MR highlighted, it is within the SAB's remit to provide advice in response to a request from the Secretary of State on the desirability of making changes to the scheme. CP therefore asked whether the current structure of 45 scheme managers across 19 administrators is fit for purpose.
- 4.21. CN noted that layers of complexity exist within each scheme and while guidance is provided by LGA, this relies on each FRA to follow the guidance. MR added that this is exacerbated as the Home Office no longer provide statutory guidance which could be relied on, and the informal guidance still needs to be interpreted.
- 4.22. DP agreed that LGA support has moved on significantly, although as guidance it is open to interpretation and this adds to the complexity surrounding issues such as pensionable pay. VJ supported this point as no guidance is available centrally from the sponsoring government department and the scheme manager does not necessarily have the right knowledge of the impacts on administrative processes.

- 4.23. DP asked whether the LGPS is less open to interpretation than the FPS. CN commented that the regulations are clearer, for example pensionable pay is clearly legislated, and roles/ relationships are more clearly defined. The flow of information internally at FRAs is also not efficient, as the scheme manager does not liaise with the appropriate parties. BW added that LG employments are not subject to the same complex contractual arrangements.
- 4.24. BW highlighted that FRAs need to make local determinations based on their local risks. BW stated that complexity is not the issue; clarity is what is lacking and the SAB can assist with this. CN added that it may be primarily historic issues which are causing difficulty.
- 4.25. CP queried whether a working group to investigate the current structure of administration and management would be the best way forward. CN countered that a more appropriate focus would be how effective each organisation is; whether there is a clear understanding of who the scheme manager is; and how robust the relationship with the administrator is.
- 4.26. MR questioned why the number of available discretions makes the scheme complicated and whether this could be a resource issue. CN suggested that it may depend on the clarity of policies in place and asserted that FRAs want a default position, with the option to apply local variances. DP requested further clarification around complexity in the context of the survey.
- 4.27. CP proposed that there may be opportunity to look at the comments around scheme complexity and cross reference against administrator to see if there is any correlation with size and number of FRAs administered. MR highlighted that LGPS has a clear career path, whereas nothing similar exists for FPS and there is a constant churn of personnel.
- 4.28. VJ agreed that complexity is linked to staff experience and the number of schemes in operation. Also, firefighter members tend to be more engaged and communicate with colleagues from other FRAs nationally. The LGA and stakeholder support groups are aiming to make the member experience as consistent as possible, however, local decision making can affect this. CP noted that this is supported by the member responses.
- 4.29. ME remarked that there has been a change in staffing at the Home Office and that the SAB chair term is due to end in 2020, therefore this is an opportune time to seek to implement changes to scheme management. BW remarked that a two to three year rolling process would be needed to establish any changes, with future surveys refining the questions to be more specific around areas of perceived complexity.
- 4.30. CP reminded the Committee that the aim of the meeting was to refine the report to be presented to the SAB on 13 June, and asked for any additional comments. MR stated in relation to the recommendations on page 54 that the FRA policy makers do not necessarily understand the nature of the scheme. CP agreed to insert some commentary on the uniqueness of the FPS.

- 4.31. BW suggested an additional recommendation for each FRA to have a designated pension liaison officer, particularly where administration is outsourced, although this would initially increase costs.
- 4.32. DP expressed concern over the FRA data that was excluded from GAD's valuation assumptions in 2016, and that FRAs were not aware of this. CH advised that each FRA with a data exclusion had been directly informed. CN noted that there may have been a discrepancy between who completed the survey and who had received the valuation information. CP pointed out that the survey instructions stated that the questions should be completed by the most relevant individual at each FRA, and may require input from multiple departments.
- 4.33. DP remarked that the main recommendation to FRAs needs to be an improvement in data. MR queried in relation to the data scoring tables what scores would have been expected.
- 4.34. DP asked if the evidence collected indicates that a reduction in the number of administrators would improve cost and service, and whether the SAB could recommend a merging of administration to achieve economy of scale. BW noted that as larger FRAs have lesser costs, it is logical that the FPS is more expensive than the LGPS to administer. BW queried whether charges vary between FRAs with the same administrator.
- 4.35. CP confirmed that the cost evidence alone is not sufficient to recommend a merge of administration. MR suggested that one benefit of fewer administrators would be greater consistency, however, more analysis needs to be done on the effect of the split between active and deferred members.
- 4.36. CP remarked that the results show a disconnect in certain areas between the FRA and administrator. MR questioned whether inclusion of the administration cost within the scheme costs and subsequently the employer rate would have a positive or negative impact.
- 4.37. CP asked for any final views. BW commented that the report has achieved its objectives and queried whether the Committee had a role in taking forward recommendations or if this rests with the SAB. CN said there were some surprises within the results, such as the variance in breach reporting, and the report made for difficult reading in parts. There is a need to establish what is meant by complexity within the context of this report.
- 4.38. All agreed that the document was interesting commentary and a good starting point for improving scheme management and administration. VJ noted the incredible challenge in getting all stakeholders to a level playing field.
- 4.39. CH advised that some of the recommendations will be progressed through the Committee, such as the development of a pension administration strategy. More strategic recommendations will be incorporated into the SAB work-plan. CH confirmed that the research report will be made publicly available following agreement of a final version with the SAB.

4.40. DP reiterated concern over employer data issues, and internal issues such as payroll processes which should be set out in a service level agreement (SLA). CP stated that an administration strategy should address some of these issues. CN added that the results may not be reflective of the current situation if new internal processes have since been implemented. CH highlighted a limitation of the survey in that it is only a snapshot of a given point in time.

4.41. CP concluded that the exercise has been challenging but rewarding, and thanked the Committee for their input. CP noted that the final report should not be too dissimilar to that presented at the meeting. DP thanked CP for attending.

5. Pension administration strategy

5.1. Based on one of the recommendations within the Aon report, CH had collated some examples of LGPS administration strategies to share with the Committee. CH outlined the purpose of implementing a strategy, which complements any formal SLA in place by clearly setting out the roles and expectations of each party.

5.2. Pension administration strategies are not commonly held for FPS, as each FRA is the single employer and scheme manager, and administration is generally contracted out. Whereas for the LGPS, each administering authority is the scheme manager and the multiple employers are separate bodies. There is also no legal requirement within FPS for a strategy to be in place, unlike the LGPS.

5.3. The Committee were strongly in favour of developing a template strategy and particularly liked the layout of the Shropshire Pension Fund document³, which includes a table setting out the responsibility of each party in relation to a specific action, along with timescales.

5.4. DP queried whether the strategy included actions for Local Pension Boards (LPBs). CH confirmed that this is not generally included, as the LGPS documents relate solely to administration, rather than governance. CN suggested that this should be considered for FPS, with a flowchart illustrating the governance structure. CN agreed that the primary reason a strategy is not in place for FPS is that it is not a legislative requirement. CH noted from comments received that the preference within the Committee is for an administration, management, and governance strategy.

5.5. DP asked whether the strategy is intended to formalise arrangements that are already in place at FRAs. CP noted a lack of confidence that **all** FRAs are functioning in this way, and proposed that a template document could be used to agree national KPIs. CN recommended that legal and statutory timescales should be included, with FRAs to insert their own local agreements.

³ <https://shropshirecountypensionfund.co.uk/media/1029/administration-strategy-statement-july-2018.pdf>

- 5.6. CP highlighted that administrator agreement would be needed if an FRA wanted to adopt a strategy. CH added a number of other considerations:
- Who is the best person to agree the document at the FRA, i.e. who is responsible for the day to day tasks? Probably not the scheme manager, although they will need to be involved/ consulted.
 - Who is the owner of the document?
 - Who are other parties to the consultation?
 - Is LPB sign off required?
- 5.7. DP stated that the scheme manager should be the owner of the document, which received general consensus. Other parties to be consulted were suggested as LPBs, administrator, software providers, and outsourced suppliers. Some were considered compulsory and some optional.
- 5.8. CH noted that the WYPF administration strategy includes a section of nominated contacts⁴ and asked for the Committee's views on which contacts should be requested, for both the administrator and LGA records. CN said it would be helpful to have a contact in each of the areas specified, to direct queries. MR preferred a single point of contact for ease of updating when staffing changes. BW cautioned that a single point of contact could equate to a single point of failure.
- 5.9. DP asked for clarification of next steps and timescales. CH confirmed that a draft document will be progressed through the Fire Communications Working Group (FCWG) and emailed to the Committee for approval, prior to sign off at the October SAB.
- 5.10. CH raised a point made by Clair Alcock regarding the production of a common SLA template, which is occasionally requested. BW supported the production of a standard set of KPIs/ SLAs based on legal and statutory timescales. CN added that the organisation could then choose to strive for improvement.
- 5.11. VJ commented that this would assist with benchmarking. MR noted that the SAB have no vires to instruct on timescales, so would need to work to any industry standards. CP suggested that this should include a reporting requirement from administrators to LPBs. DP agreed that some boards work well and would welcome this information; for others that do not work as well, this may encourage engagement and awareness.
- 5.12. CN proposed the development of some guiding principles for LPBs to tie in with the other guidance. CH confirmed that this could be progressed through the LPB effectiveness committee.

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<http://www.wypf.org.uk/Member/Publications/PolicyStatements/administrationStrategy/administrationStrategy.aspx>

6. 2019 work-plan

7.1. The items discussed will form the basis of the committee's work-plan for the year:

- i. Identification of standard key scheme-specific items for recommendation to the SAB and subsequently FRAs.
- ii. Actions arising from risk register, following approval of the document by the SAB. Tabled for next meeting in October.
- iii. Formulate a template Service Level Agreement for use by FRAs – replaced by new item vi.
- iv. Work with the cost committee to determine administration cost per member. (Cost committee to lead)
- v. Monitor trends arising from scheme return data scores. Investigate links between breaches and data – awaiting sight of TPR Governance & Administration 2018 research report.
- vi. Development of template Pension Administration Strategy.

7. Future meeting dates and venues

- 24 October 2019 (18 Smith Square)

8. AOB

8.1. MR asked for an update on scheme specific data scoring. CH confirmed that informal guidance had been issued in 2018 and will be revised for 2019. Additional commentary will be added to assist FRAs in weighting the data score for accuracy, based on factors such as number of queries received from ABS distribution, and data validations in place. There is a concern that at present, schemes are only measuring presence of data, which has inflated the year one scores.

8.2. The committee had a discussion around their experiences of data scoring. H&W did not submit a score for year one as they were tendering for a new administrator. Now they receive monthly data reports by scheme, which shows emerging patterns, for example, FPS 1992 legacy data is missing.

8.3. Shropshire used their system provider's solution which generated one total score across all three schemes. The reports are also considered to be very robust and measures against fields which the administrator does not necessarily consider relevant.

8.4. DP asked how the SAB can help FRAs improve their data. CH stated that feedback from the data event indicated that a template data improvement plan is required, which is currently being progressed. CP commented that the survey results indicate that administrators do not consider data to be a problem.

8.5. The meeting closed at 14:05.