



# Firefighters' Pensions England

## Scheme Advisory Board

### ADMIN & BENCHMARKING/ COST-EFFECTIVENESS COMMITTEE

#### **ACTIONS AND AGREEMENTS**

**Thursday 15 August 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)
Jonathan Hurford-Potter (JHP)	FRA/ HR representative (Hampshire)
Vicky Jenks (VLJ)	Technical/ Admin rep (Shropshire PF) (dial-in)
Claire Alcock (CA)	LGA
Helen Scargill (HS)	Technical/ Admin rep (WYPF)
Liz Mowl (LM)	FRA/ HR representative (Norfolk)
Alison Kilpatrick (AK)	FRA/ Finance representative (Kent)
Cllr Roger Phillips (RP)	SAB Scheme employer representative
Glyn Morgan (GM)	SAB Scheme member representative
John Weston (JW)	LPB representative (SYFRS)
Claire Hey (CH)	LGA – Board secretariat (minutes)

#### **1. Introductions and apologies**

- 1.1. Apologies were received from Sean Starbuck, Martin Reohorn, and Bob Walker.

#### **2. Chair's welcome**

- 2.1. DP stated that the joint meeting of the committees had been convened to consider in full the recommendations made by Aon in the review of scheme administration and cost. This action was remitted to the committees by the SAB at their meeting in June.
- 2.2. DP confirmed that Bob Walker has requested to step down from the Administration and Benchmarking committee and a new LPB representative will be sought.

### 3. Aon report and recommendations (Paper 1) / 4. Agreement of actions

- 3.1. CA highlighted that the purpose of commissioning the review was firstly to establish the cost of scheme administration, without benchmarking FRAs against each other, and secondly to provide evidence of the complexity of administering the scheme and how this impacts on effectiveness.

#### **COSTS**

- 3.2. There was considerable difficulty in establishing a true cost as not all FRAs were able to provide cost data, indicating a possible lack of senior management team oversight. CA asked the committee to consider whether there would be value in collecting cost data on an ongoing basis and how FPS could be benchmarked against other schemes, given that there is no immediate comparator. CA said that this should be accepted in year one and addressed in future iterations.
- 3.3. In terms of effectiveness, CA stated that the outcomes of the Aon report would be useful to set work-plans for the committees.
- 3.4. DP noted that it was disappointing that a realistic cost of administration could not be ascertained. DP acknowledged that there would be complexities in collecting the data, but it was not unreasonable to ask. ME highlighted the different size, scale, and governance structure of FRAs as affecting their ability to respond and that the surveys may not have been completed by the most appropriate person.
- 3.5. RP commented that the review relates to the integrity of the scheme and questions must be asked, regardless of the complexity. RP confirmed that the results have provided a useful baseline and that data collection needs to be an annual exercise in order to establish discipline. It is to be expected that results will become more accurate year on year, acknowledging that the first two or three will not be perfect. However, scheme costs need to be visible and decisions evidence based.
- 3.6. JHP remarked that all FRAs should be able to provide at least a ball-park cost and agreed that the surveys should be run again, requesting costings and the assumptions used to obtain them if estimated. These cumulative exercises could be used to provide guidance in the first instance and finally benchmark. JW suggested the development of a template with instructions for completion.
- 3.7. AK said it would be useful to collect data going forward, although there must be clarity on what is required, how it will be gathered, and what it means, as FRAs will need to make apportionments. CA explained that the surveys did attempt to break costs down in different areas, such as staffing, administration, legal, and special projects. However, the lack of data provided indicates that the wrong person completed the survey and a lack of senior oversight. CA asked whether there was a role for the Fire Finance Network (FFN) in developing a future data set.
- 3.8. AK agreed to assist with this work and take forward with the FFN as it would be helpful for FRAs to benchmark their own costs. CA noted it would also be useful to find out how many of the finance leads were approached to provide costs.

- 3.9. While the majority of the committee supported the recommendation to collect data on an annual basis, CA asked members to consider whether this represents value for money as the costs involved are not likely to be significantly less than the initial project.
- 3.10. JHP queried whether the full surveys would need to be re-run, or if it would be possible to pick out those areas which would provide the most value. ME suggested that the cost may reduce proportionately in future years and noted that the 2018-19 budget has already been submitted.
- 3.11. CA stressed that a procurement exercise would need to be undertaken with the aim of awarding a five year contract, so the committee should not speculate too closely on costs at this stage. Any budget discussions will be undertaken by the SAB's budget committee<sup>1</sup>. CA added that as scheme costs are likely to increase as a result of future reform, an annual exercise would be a useful tool to evidence that government decisions affect administration costs.
- 3.12. GM commented that data should be collected again as the SAB must act on the results of the initial project to fulfil its responsibilities. RP highlighted that the responsible minister is likely to want to know the current scheme costs and future implications of reform costs. RP suggested that capacity is built into the SAB budget to collect data on an annual basis. ME confirmed that it is within the SAB chair's remit to reduce scheme costs, but this is not possible without first establishing a baseline.
- 3.13. AK was comfortable that sufficient data had been collected in relation to the effectiveness of scheme administration, therefore consideration should be given to how best to collect and analyse cost data where there are gaps. This should include what is going to be done with the data, and whether different elements will be collected at different intervals. CA agreed that there were no unexpected outcomes on effectiveness, yet it had not been possible to attain clarity where it was needed around scheme cost.
- 3.14. GM proposed development of a suite of KPIs with finance forming part of this package, noting that definitions and robust guidance would be needed. DP summarised that all members were in agreement with recommendation 14.1 and asked for clarification on which data elements should be collected; costs or all data.
- 3.15. HS said that a dedicated cost survey should be circulated in order to narrow responses. JHP added that the responses should be signed off by a finance director or the CFO. DP stressed that LPB and CFO buy-in is needed.
- 3.16. CA asked for views on the best time to issue a survey on cost data. AK recommended to avoid year end, and suggested September or October when previous year accounts have been audited and FRAs are starting to set the next budget.

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<sup>1</sup> <http://www.fpsboard.org/images/PDF/Meetings/30112016/Minutes30112016.pdf> [Item 5]

- 3.17. LM queried whether work on survey questions could be progressed through the regional FPOGs. HS said that this could be a useful forum to check understanding, although meetings may not fit in with the required timescales. CA noted that regional groups may not be able to advise on cost issues. However, on engagement, the current surveys were promoted through various stakeholder groups, forums, and platforms. It is likely that a further exercise could not be carried out until October 2020, although work could be done in the interim with AK through the FFN.
- 3.18. RP stated that if schemes do not engage, this should be publicised. The SAB is a statutory body and requests for information should be complied with. ME highlighted that isolating the request to information around costs should increase engagement and help to target the correct individuals. GM added that publication of the report may drive engagement. CA confirmed that the SAB have taken the decision this year not to 'name and shame' authorities, and this information will be removed from the final report.
- 3.19. CA confirmed that collection of data on an annual basis would be taken forward as an action to consider the most effective way of progressing. In terms of timescale, this will be taken to the FFN conference in October for the FFN to work with the Secretariat outside of this forum. JHP recommended that collection take place later this year to maintain momentum. RP agreed that it would be unfortunate if there was no progress until 2020, however, there is a need to be practical and perhaps do something on a smaller scale this year. JW pointed out that the deadline for the original surveys had been extended on two occasions due to lack of response.
- 3.20. DP summarised that the action at 14.1 had been agreed and that a report would be submitted to the SAB electronically for approval. JW asked whether the FFN could consider establishing a cost per member in comparison against an LGPS fund of similar size. CA confirmed that the aim of the exercise was not to benchmark FRAs against each other.

## **EFFECTIVENESS**

- 3.21. GM expressed surprise that discretions were considered to be complex and asked if policies are not in place. CA confirmed that this relates to the scheme manager role and ownership of the scheme. Resources are in place, but there is a need to raise awareness and make sure they are being used. The SAB have been clear that they cannot recommend an optimum number of administrators, however, to improve professionalism and standards they could consider development of an FPS qualification or form of accreditation, which could also apply to those working with FRAs, such as IQMPS.
- 3.22. HS remarked that the regulations are fairly straightforward once the relevant scheme and type of member have been established. The complexity arises due to the number of schemes and variances, also there is a lack of understanding and knowledge. VLJ explained that a classic example of this is the introduction of FPS 2006 special members; the stand-alone schemes are not necessarily complicated, but the hybrid is. Consideration should be given on how best to introduce new legislation to manage administration and software costs.

- 3.23. CN commented that complexity is increased as scheme membership is comparatively small and cases such as ill-health occur relatively infrequently. VLJ agreed that knowledge builds up gradually and that turnover of staff therefore exacerbates the complexity, adding that the provision of a qualification would make a career in FPS more attractive and assist in getting key personnel in place.
- 3.24. AK highlighted that there is a lack of resilience in staffing and that the amount of case law and level of detail can add further challenge. Regulations are often open to interpretation and require a legal view.
- 3.25. VLJ added that individuals are making decisions on issues that are not their area of expertise and pensions is not seen as high priority by FRAs. The committee had an extended discussion around decision making with regard to pensionable pay. CA highlighted that resources were available and reminded the group of the need to focus on the framework rather than individual issues.
- 3.26. CA explained that a working group will be convened to consider the full list of discretions (24.1.1) to see which can be delegated to the administrator. The group can then provide targeted resources to assist FRAs with the decision making process on the remainder. HS offered to provide an example policy to the working group.
- 3.27. GM stated that it is unlikely that significant regulatory change can be achieved at this time due to other parliamentary pressures, so there is no further action for the SAB in this regard. However, the Board can provide advice and guidance. GM confirmed that the monthly query log is a useful resource.
- 3.28. All supported recommendation 24.1.1. A date will be identified for the first meeting of the working group, to be comprised of administrators and FRAs. Members will be sought from beyond the committee, but will include committee representation.
- 3.29. CA explained that recommendation 24.1.2 intends to draw out that there is no consistent guidance on the line between administrator and FRA decision making and also links back to key person risk. There is a need to provide clarity to avoid an administrator inadvertently incurring liability for legal challenges. It was acknowledged that development of a qualification would be a considerable challenge, in terms of cost and time resource. The general principle is to evidence that there is a desire to support administrators.
- 3.30. DP suggested contacting Ann Millington who deals with qualifications for FRS staff through her role with NFCC. CA clarified that this would be a qualification for administration staff, similar to that offered for LGPS colleagues, to help individuals to become FPS experts and provide assurance to FRAs on administration standards.

- 3.31. GM supported the recommendation in principle. CN added that it would be welcomed by the administration community. CA explained that while the SAB cannot recommend a reduction to the 19 administrators who all work in different ways, this would be a means of introducing consistency and offering support. CA outlined various options which included getting existing training CPD accredited in the short-term, and in the longer term speaking to colleagues at the LGA about CIPFA, or approaching the Chartered Institute of Payroll Professionals (CIPP) to include an FPS module on a wider qualification. These qualifications would not fall within the levy budget and would be chargeable to delegates as considerable resource would be required.
- 3.32. LM suggested that the qualification could be linked to career-grade progression. VLJ agreed that recruitment and retention of staff would be improved. CA proposed speaking to Ann Millington to establish what is offered in-house to staff in audit, HR, and finance. AK remarked that responsibility for the scheme does not rest in a single department which causes difficulty. Professional training would clarify internal responsibilities and what should be referred to the administrator.
- 3.33. CA highlighted the lack of consistency in understanding who the scheme manager role is delegated to (24.1.3). A potential solution is for each FRA to delegate to a central employer body to act as scheme manager for all authorities. CA acknowledged that this would be a discussion for the wider SAB, and for the time being, to recognise that inconsistency exists and provide more guidance on management of the delegation. HS stressed that a lack of understanding and ownership of the scheme manager role applies to some, not all, FRAs.
- 3.34. CA confirmed that a working group would be formed to consider measures of good performance to improve monitoring at a local and national level (24.2.1). The group will hold an initial brainstorming session and follow up by email. It was agreed to add this as the final AGM workshop, which will be facilitated by HS, as an opportunity to engage with a wide range of stakeholders.
- 3.35. HS suggested that monitoring should include KPIs for internal measures as well as administration standards. CA explained that the workshop will be important to get views from stakeholders rather than being driven by the LGA, and measures should include standards for FRAs providing accurate and timely data. This is also not a role for the pension board as the scheme manager should be reporting performance to the board.
- 3.36. CA said there was no particular recommendation for the committee to consider under 'Engagement and Communication' (24.3). However, to note that resources are available and work is progressing in several areas. These include a national member website to provide consistent information to members and an online glossary to standardise how documents are worded, which is currently presenting some technical difficulty.

- 3.37. On technology, the LPB effectiveness committee have taken an action to set up a working group with the software suppliers, comprising the three committee chairs, SAB chair, CLASS P&F user group chair, and technical group chair. The inclusion of named roles will build an effective framework with existing links to both providers.
- 3.38. On a collaborative approach to data (25), CA highlighted the following work in progress: procurement is underway for a data improvement plan; the annual data conference provides a platform to discuss good data practice; data scoring guidance will be reviewed for the 2019 TPR scheme return. As has been discussed previously, monthly data postings drives improvement through more frequent reconciliation, therefore CA asked whether the committee could now make a recommendation to the SAB on the basis that it is becoming more common in public service schemes.
- 3.39. RP remarked that monthly postings lead to more accurate data and links back to routine and discipline. However, the wording of the recommendation should be considered, as the main requirement is for quality data. DP agreed that the principle sounded reasonable and could be recommended as good practice. DP asked whether there would be value in increasing frequency to quarterly and then monthly. ME added that breaches are more readily identified.
- 3.40. HS confirmed that the requirement to provide monthly data is built into the WYPF contract as a term of procuring administration services. Data is transferred securely with in-built checks. JHP supported the requirement, noting that HMRC run RTI on a monthly basis. CN highlighted that setting up any new procedure or system is a drain on resources, although it may offer efficiencies once in place. Hampshire have an annual process in place that works well and the few errors are quickly resolved.
- 3.41. AK said the consideration should be whether the implementation cost is justified by the benefit to service improvement and what difference is there between monthly and annual postings. HS explained that the WYPF system reports starters, leavers, and opt outs. It highlights drops in pay relating to absence, and also actions address changes and rank updates. Tolerance levels are built in to pick up pay variances. CN commented that these changes are done ad-hoc at Hampshire without issue, although there is likely to be benefit for a poorly performing FRA or an administrator with multiple clients.
- 3.42. CA stated that there would be further potential benefit for sites offering online member self-service, as members would see their benefits increasing every month in real time. However, there is a risk v benefit conversation to be had and CA suggested that the recommendation as good practice could be built into the administration strategy (26) to ensure agreement on both sides. AK suggested the inclusion of an FRA case study where monthly postings have been successfully implemented and improvements can be evidenced.
- 3.43. The recommendation for a pension administration strategy (26) was agreed at the previous meeting of the Administration and Benchmarking committee. DP added that the AGM workshop on national performance monitoring will feed into the draft document, which will be shared at the next meeting in October.

3.44. CA observed that publication of the Aon report will encourage greater engagement (27) and enable wider conversations with stakeholders. Approval will be needed from the SAB and will be sought by email. Once published, a report will be issued on behalf of the SAB focusing on recommendations and actions. All agreed to this action.

3.45. To reduce key person risk (28), CA confirmed that the LGA will provide continuing support and a central resource base.

3.46. Information is already in place to promote better understanding and recording of breaches (29). This guidance will be re-publicised. HS suggested the inclusion of examples to demonstrate practical assessment of breach materiality using TPR's RAG matrix. CA responded that this is included in the verbal training, as the aim is to provide considerations rather than instructions.

3.47. However, it has been made clear in the TPR survey commentary that FPS breaches are not being recorded. CN suggested that authorities may not be clear on who should be reporting breaches. RP commented that TPR are likely to focus on fire schemes in the future and that the SAB should be proactive in forewarning authorities.

## **5. Future meeting dates and venues**

- 24 October 2019 (18 Smith Square)
- 20 February 2020 (18 Smith Square)

## **6. AOB**

6.1. There were no items of AOB. The meeting closed at 14:00.