

Admin and Benchmarking and Cost Effectiveness

SAB Benchmarking Report

Introduction

1. The Scheme Advisory Board (SAB) commissioned an administration and benchmarking review to answer two key questions;
 - (1) how much are Scheme management costs, and
 - (2) how effective is the management and administration of the Scheme.
2. AON were appointed after a procurement process, and along with the SAB secretariat drafted the survey questions. (All survey responses can be found in appendix 4 of the report). The survey questions can be found on the boards admin and benchmarking [page](#)
3. As a reminder the management and administration of the scheme is the responsibility of the Fire and Rescue Service. The administrator does not have any legislative responsibility under the scheme rules, and it is for the Fire and Rescue Service to appoint an administrator. This point is not always understood, as this is a different position from LGPS where the administrator is also the scheme manager. The administrator does not make decisions under the scheme rules, this is the responsibility of the Fire and Rescue Authority (FRA) as [scheme manager](#).
4. AON attended the June SAB meeting to present the draft report.
5. The SAB have asked the [SAB committees](#) with its range of stakeholders to consider the report and recommendations and report back to the SAB.
6. This paper looks at the two issues considered by AON separately, first looking at the costs of the scheme and secondly at the effectiveness of the scheme.

COSTS

7. The report has attempted to
 - 1) identify how much administration and management costs are, and
 - 2) provide some sort of benchmark against other schemes as to whether that is low or high.
8. As the report illustrates, that has been difficult to do, because a) there is missing data and b) it is difficult to find a realistic comparator to the Fire scheme.

9. Taking the costs of the scheme first, this was a difficult exercise as it was the first time such an exercise has ever been completed. Some FRAs were not able to provide any cost information at all, and others only some. There is a question over whether there was any senior management oversight of the response and whether it is accurate to assume where there are nil responses that this indicates the FRA cannot identify their pension costs at all.
10. It is recognised that identifying internal staffing costs for pensions functions was more difficult for some FRAs, i.e. those in a County Council; however 7 respondents could not identify their external administration fees, i.e. fees paid to the administrator.
11. It is difficult to summarise that the total costs identified are therefore accurate. However, the report does highlight that the costs of 'special projects' are significantly higher than day to day administration, suggesting that there may be some room for improvement on how these projects are run. Many of the special projects have required decisions or time from the employer rather than the administrator.
12. The second aspect, that of benchmarking, has been difficult in the absence of a realistic comparator scheme.
13. The report itself notes that 'it may be premature to conclude that cost savings can be delivered.....' and '....we have had to make a number of assumptions in analysing the data provided by the FRAs due to it not being fully complete'.
14. **The report recommends that as this was the first time such an exercise has been undertaken, this can only be seen as a first step. The report recommends that data is collected on an annual basis.**
 - 14.1 **Develop a template for collection of administration and associated costs on an annual basis, with the information on costs then being published, enhancing transparency and understanding of the costs of running the Scheme in support of the Board's functions.**
15. **This would need to be commissioned and financed from the SAB budget, however the secretariat supports this recommendation.**

EFFECTIVENESS

16. In order to examine how effective the management and administration of the scheme is, AON looked first at what themes emerged from the evidence, and then secondly what could be done differently or better.

17. Themes

17.1 Complexity of the scheme

This was a feature of all surveys;

- 73% of administrators scored the schemes as complex or very complex. [Page 16]
- 66% employers reported finding decision making difficult, with the reasons mainly stemming from the complexity of benefits (64%) [Page 92]
- Less than half of responding scheme members reported to understand their benefits. [Page 50]

When FRAs were asked if they could change one thing about the scheme there were 37 provided comments and of those 32 referred to the need to reduce complexity or increase clarity and simplicity around various aspects of the scheme.

There is some uncertainty around what was considered specifically to be complex, outside of local decision making and discretions.

17.2 Relationships – interaction and perception

Relationships between administrators and FRAs are quite good and working well, which is a positive outcome. Any change of administrator appears to be due primarily to end of contract, not a breakdown in working relationship. The effectiveness of Local Pension Boards (LPBs) was outside the scope of the report

However, this is not always the case, feedback from previous national events has included “I noticed, on the table I was on, that there is a distinct lack of knowledge from HR and HR Managers about the pension scheme. They do not understand pensions and assume that administrators should answer anything that is pension related. Hopefully you can engage some of these people in forthcoming events to try and educate them as to what their own responsibilities are.”

17.3 Reporting – including what is reported between key stakeholders and how effective does that appear

A large percentage of administrators do not report back to the LPB. Resources and training are available to LPBs from the LGA. There is a variance in frequency of reports from the administrator to the FRA.

17.4 Data – including quality, timeliness and understanding requirements

In general, timeliness is good and there is a high satisfaction with quality, although one third of member responses indicated dissatisfaction with responses to queries. However, it is perceived that FPS members have greater demand than members of other schemes. The main problem for FRAs is extracting data from systems.

It was concerning that when asked about whether their FRA was one of those excluded from the 2016 valuation for assumptions, 55% of FRAs responded that they did not know. FRAs who were excluded were contacted directly and [bulletin 8](#) reported on these exclusions. Two of the 'no' responses were excluded and 13 of the 'don't know' responses were excluded.

17.5 Engagement and communication – current provision and perception

The perceived complexity of the scheme appeared to be evident in the survey questions about engagement. 61% of members who responded don't or only partly understand their benefits. And 22 administrators reflected they were unsure whether members understood their benefits. However, when discussed by the SAB it was commented that while administrators do offer presentations and surgeries on pension benefits, take-up is often low.

18% of administrators do not have a scheme website and 64% do not have on-line capabilities.

LGA is currently undertaking a project to build a national scheme website for members of the Firefighters Pension Scheme.

17.6 Breaches of the law – what is reported and completeness of reporting

The number of reported breaches is low compared to TPR survey outcomes.

Breach reporting guidance and a template to record and report breaches are available on the SAB website.

18. What can be done better (Recommendations)

19. Based on these themes AON have made various recommendations to improve the effectiveness and efficiency of the scheme.

19.1 Address scheme complexity through

a. Scheme changes and structure: Including reduction in local decision making, greater regard to administrative implications of legislative changes and review of current structure to ensure model of delivery is fit for purpose.

b. Improving monitoring: Both at local and national level to enable greater clarity on the areas of complexity impacting standards

- c. Further engagement and communication: Greater use of technology to enhance member experience and encourage greater engagement from FRAs and administrators to use information and communication already centrally available.
- 19.2 Encourage greater collaboration across the Scheme and introduce consistent standards to address data issues and ensure members receive a consistently good service regardless of location.
- 19.3 Ensure there is clarity on timescales for key administrative processes e.g. through a requirement to publish a locally developed Administration Strategy.
- 19.4 Encourage greater engagement between administrators and FRAs including stronger links between them on performance monitoring as well as a greater role for Local Pension Boards.
- 19.5 Reduce key person risk and ensure resource plans are in place.
- 19.6 Better understanding and recording of breaches of the law.
20. A number of these recommendations are already being actioned by the LGA Bluelight team in the form of training or guidance materials.
21. The SAB LPB effectiveness committee met on 7 August to discuss recommendations that include LPB involvement.
22. The report makes a number of recommendations on improving the effectiveness of administration. This paper now looks at those recommendations in more detail and either provides an update on work that will be undertaken to address the recommendation or asks the committee to consider further. **Points for the committee to discuss are in bold**
23. **In their discussions the committee is asked to consider the resources and cost implications of delivering the recommendations. The budget currently allows for two LGA staff and a fixed work plan for 2019/2020.**
24. Perceived complexity
- 24.1 Scheme Changes and Structure
- 24.1.1 Reduction in local decision making. A full list of discretions is available [here](#) with discretions for each scheme available.
- It is the secretariat's recommendation that a working group from this committee is established to look at how these discretions could be simplified.**

24.1.2 Administration implications. There are currently 19 administrators working with 45 FRAs in England. The administrator does not have legislative responsibility for the running of the scheme and should not make employer decisions. However, where the employers lack confidence or knowledge the administrator is often considered the pensions expert and therefore sometimes becomes involved in employer decision making. The administrator role in this regard is not consistent however within FRAs and sometimes leads to an authority delegating an employer decision to a third party.

In order to support and standardise administration the committee are asked to consider

- **Professionalising the Fire Pension Scheme (FPS)**
 - **LGA to provide an introduction to FPS administration course**
 - **Qualification in FPS administration**
 - **CPD accredited courses for those working with FRAs, i.e. IQMPs etc.**
- **Recognised Administrator Mentors - colleagues who can offer support and guidance on a more formal basis**
- **Benchmarking across the schemes**

24.1.3 Delegation of scheme manager. Under the current regulations the scheme manager can 'delegate' the scheme manager role to a person or committee.

Is there a role for a central scheme manager delegation, if so who or how could that be managed?

24.2 Improve monitoring

24.2.1 Improving local monitoring

It is the secretariats recommendation that a working group from this committee is established to provide national performance measures to scheme managers.

24.2.2 Utilising local pension boards. This will be progressed by the Local Pension Board effectiveness committee.

24.2.3 National collection of data

It is recommended that the survey is re-run to collect this data on an annual basis.

24.3 Engagement and Communication

- LGA are currently working on a project to provide a member website to provide scheme information to members, this would complete the FPS trilogy of sites along with www.fpsboard.org and www.fpsregs.org
- Where possible it is recommended that the language used to explain benefits is simplified as much as possible. For example using plain English where possible.
- The secretariat is currently working on building a glossary of terms.
- In order to encourage greater use of technology, the secretariat intends to establish a software suppliers working group, this will comprise the three chairs of the SAB committees, the SAB chair, the secretariat, the CLASS Police and Fire chair and the technical group chair.

25. Collaborative approach to address data issues

- The administration and benchmarking committee have previously agreed to commission a data improvement plan for use by FRAs, this work will continue.
- LGA provide an annual data conference for the FPS, it is recommended this continues to showcase and highlight the importance of good data.
- **It is recommended that the SAB require FRAs to provide data to administrators via monthly postings.**
- Data scoring [guidance](#) was provided in August 2018, the SAB will continue to promote this and work with the software suppliers group as above to ensure that this is developed in line with key stakeholders.

26. Locally developed administration strategy

It is the secretariat's recommendation that a working group from this committee is formed to develop a template administration strategy which would include a list of industry standard KPIs.

27. Greater engagement between administrators and FRAs

- This report should be published as soon as possible to engage in wider conversation.
- AON will be discussing key themes at the AGM in September.
- The LPB effectiveness committee will be engaging with local boards on how they can promote greater engagement with administrators and FRAs.

28. Reduce key person risk.

LGA and SAB will continue to focus on centralised support such as [factsheets](#) and [technical notes](#) to ensure that there is national awareness over projects.

29. Better understanding and recording of breaches.

Available resources will be promoted by SAB including the breach assessment template.

<http://www.fpsboard.org/images/LPB/Resources/Breachassessment210119.docx>

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