

Firefighters' pension schemes

Full set of survey results 2016

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Contents

1. Background
2. Scheme governance
3. Record-keeping
4. Internal controls
5. Member communications
6. Risks and issues
7. TPR focus going forward

Background – 2016 survey

- Looked at practices, outcomes and risks/barriers to improvement
- Each Fire and Rescue Authority represented as 1 ‘scheme’. Results for FPS across all jurisdictions
- FPS response rate = **98% of schemes and 99% of membership** – 90% schemes (97% membership) across PS population as a whole.
 - 37% in 2015 – we can be more robust in our assumption representative of universe
 - Much greater outreach on smaller (potentially less well run) schemes – some results may accordingly have dropped

Scheme type	Responses	Schemes		Memberships ¹	
		Universe	Survey coverage	Universe	Survey coverage
Other	11	11	100%	8,410,002	100%
Firefighters	50	51	98%	100,572	99%
Local Government	92	102	90%	5,960,190	95%
Police	35	46	76%	379,891	76%
Total	188	210	90%	14,850,655	97%

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Respondent profile

- Survey targeted at scheme managers, yet only 76% of FPS responses completed by, or in consultation with scheme manager (77% overall)

Respondent role	Scheme Type – Total involved	
	All schemes	Fire & Rescue
Scheme manager (or employee of scheme mgr)	77%	76%
Pension board chair	28%	36%
Pension board member	21%	16%
Administrator	49%	52%

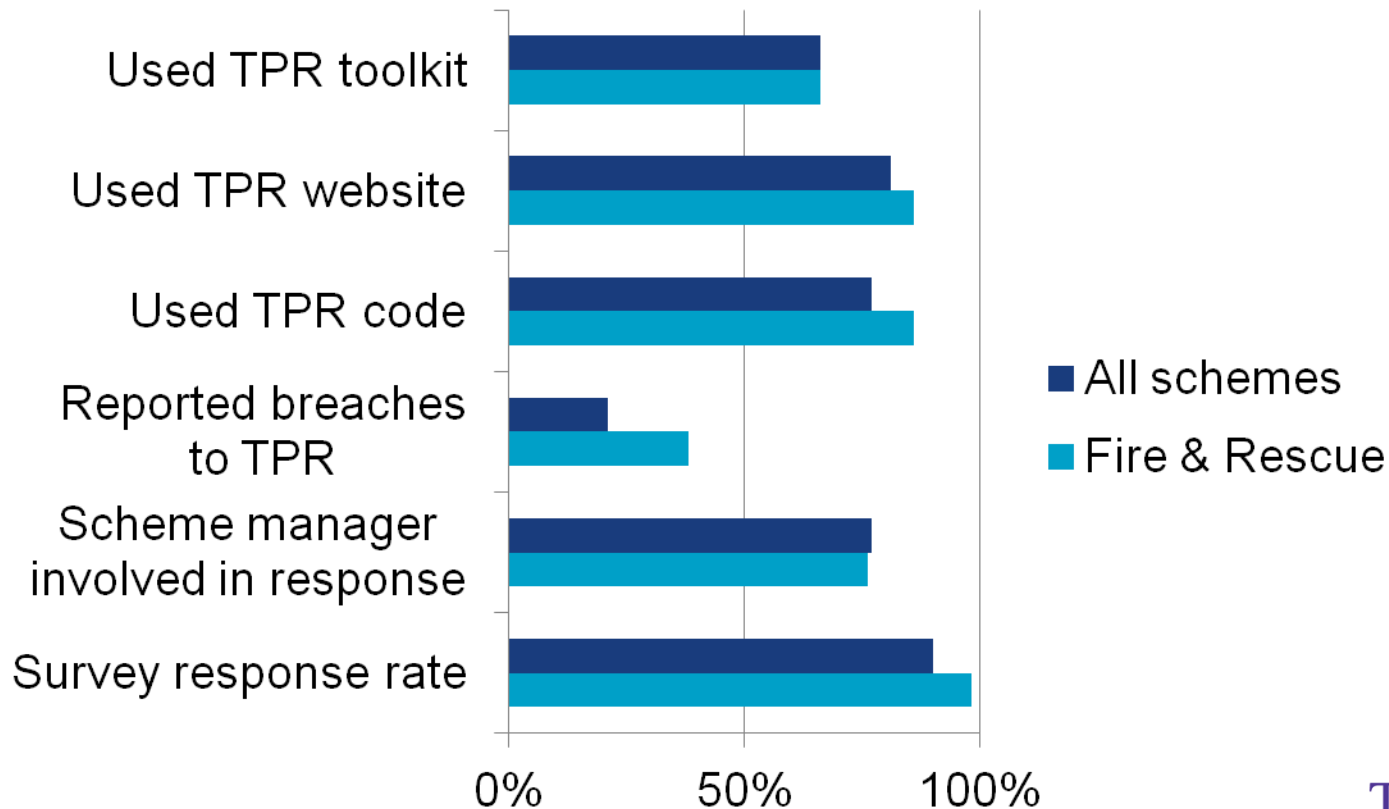
- We asked scheme managers to work with pension board chairs in completing the survey, yet these were only involved in 36% of responses (28% overall)
- Lower engagement of other pension board members (16%) than average (21%)

SCHEME GOVERNANCE

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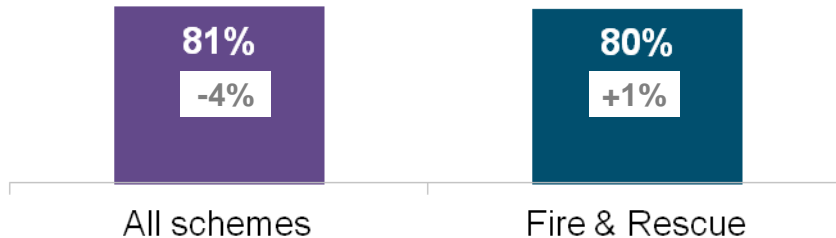
Engagement with TPR

- FPS more likely than average to be engaging with TPR



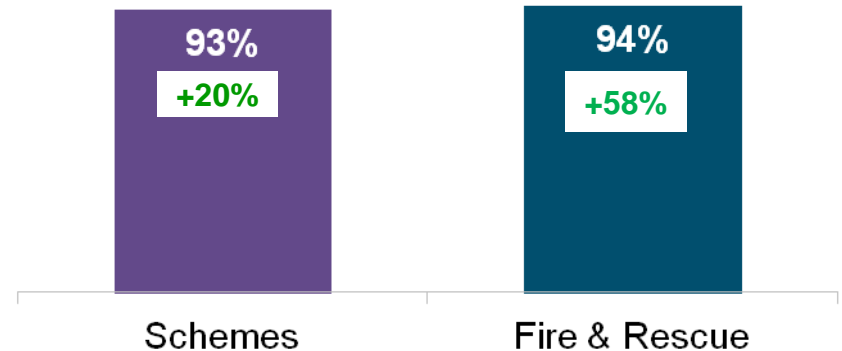
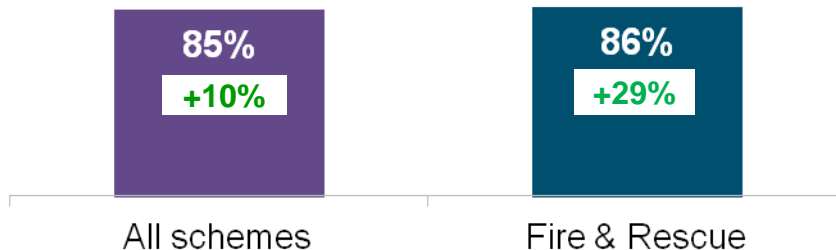
Conflicts / Knowledge & Understanding

Proportion of schemes that have “a conflicts policy and procedure for pension board members”



Proportion of schemes that have “developed policies and arrangements to help pension board members acquire and retain the knowledge and understanding they require”

Proportion of schemes that have “a register of interests”



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Dramatic improvements in the use of register of interests and the presence of K&U processes

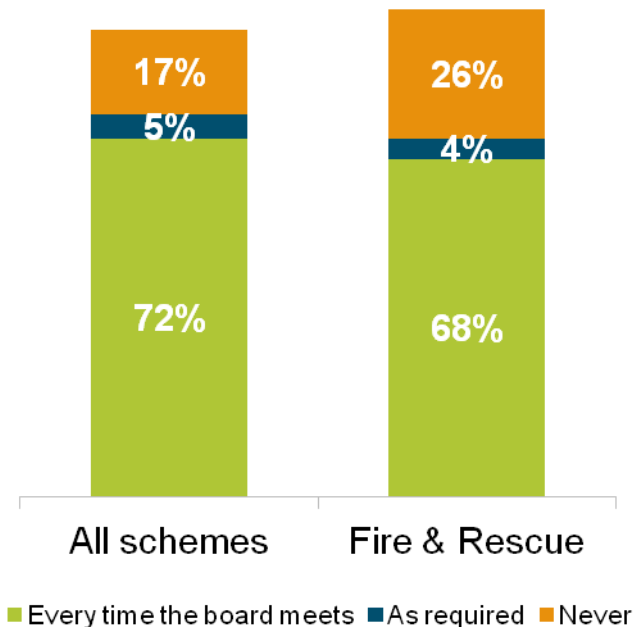
Interaction between scheme manager and board

Thinking about the interaction between the pension board and the scheme manager, which of the following applies to your scheme?

	All schemes	Fire & Rescue
<i>Base: All respondents</i>	<i>188</i>	<i>50</i>
The scheme manager attends pension board meetings	78%	72%
The pension board has face-to-face meetings with the scheme manager	50%	52%
The pension board submits written reports to the scheme manager	34%	28%
The scheme manager commissions advice from the pension board	31%	36%
Other	22%	26%
Don't know	3%	2%
Did not answer question	2%	0%

Other responses include: Minutes are provided/shared (4%), Scheme manager responds to pension board agenda (3%), Regular communications/emails (3%), Joint training sessions (2%)

How often does the scheme manager, or an employee of the scheme manager, attend pension board meetings?



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FPS scheme managers are most likely to engage with PBs face-to-face. However 1/4 never attend pension board meetings.

Pension board's ability to guide & advise scheme manager

On a scale of 1 – 10, where 10 represents 'very good' and 1 represents 'very poor', how would you rate the pension board's ability to...? – **Mean ratings**

	Schemes	Fire & Rescue
<i>Base: All respondents</i>	188	50
Identify where there are poor standards or non-compliance with legal requirements	7.3	6.6
Set out recommendations on addressing poor standards or non-compliance with legal requirements	7.3	6.6
Advise on scheme regulations, governance & administration requirements set out in legislation, & standards expected by TPR	6.7	5.5
Take or secure actions to address poor standards or non-compliance with legal requirements	7.4	6.9
Average pension board rating (across all 4 aspects)	7.2	6.4

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Perception of board's skills is lower than average.

RECORD-KEEPING

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Record-keeping perceived *across landscape* as top risk

- Issues related to record-keeping cited as the top risk by schemes overall
 - 21% of FPS respondents identify it as top risk (36% overall)

*‘Membership data
incomplete or inaccurate’*

*‘The Pensions board has
insufficient and inaccurate
data’*

‘Data integrity’

Administration & record-keeping processes

Proportion of schemes with a process in place...

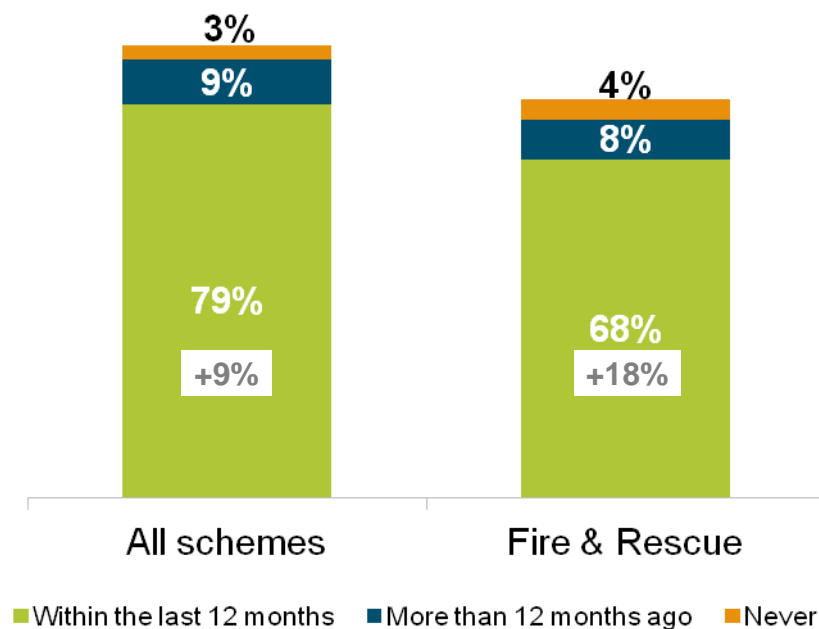
	All schemes	Fire & Rescue.
<i>Base: All respondents</i>	<i>188</i>	<i>92</i>
To monitor records for all membership types on an ongoing basis to ensure they are accurate and complete	89%	88%
With employers to receive, check and review data	90%	76%
For monitoring the payment of contributions	95% (-1%)	88% (+2%)
For resolving contribution payment issues and assessing whether to report payment failures to TPR	88% (+2%)	68% (-11%)

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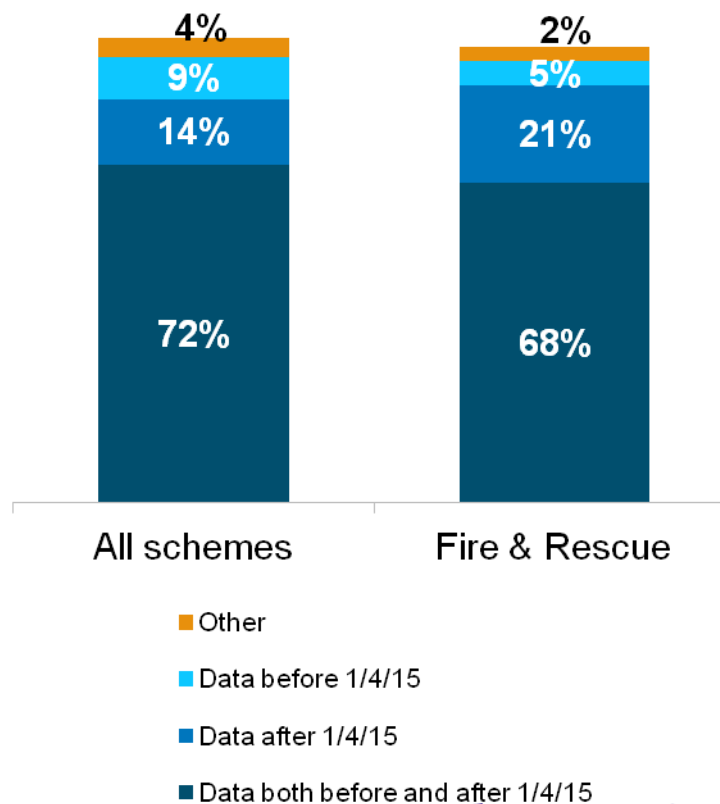
FPS have substantial gaps in processes for quality assuring employer data, and maintaining contributions

Data review

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



What data did the review cover?
(All schemes that had carried out a data review)



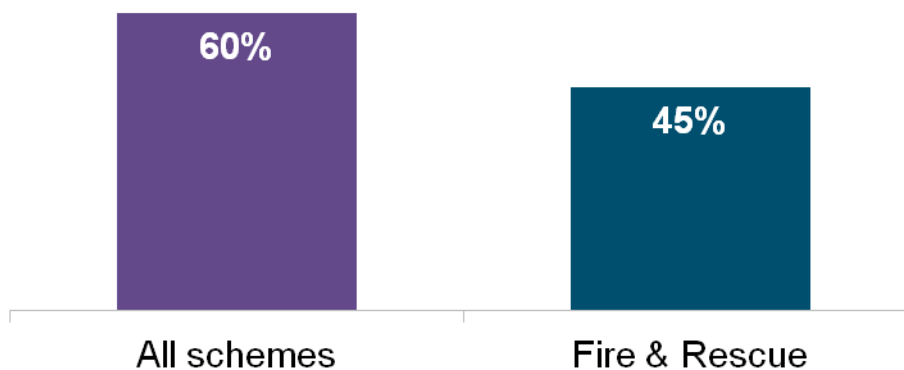
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7 in 10 had done a data review in the last year, typically looking at both 2015 scheme and legacy scheme data

Issues and actions

Proportion of schemes where “most recent data review exercise identified any issues or problems”

(All schemes that had carried out a data review)



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Less than half of those who conducted data reviews identified issues, which raises concerns as to their effectiveness

Actions to address issues identified

What action, if any, was taken to address the issues the review identified?
(All identifying issues during most recent data review)

	All schemes	Fire & Rescue
<i>Base: All identifying issues during review</i>	<i>100</i>	<i>17</i>
Data cleansing exercise	69%	53%
Address chasing exercises	40%	35%
Additional validation checks	37%	29%
Pensioner existence checks	37%	18%
Further/improved member communications (e.g. reminding members to check their records are up to date)	35%	35%
Data improvement plan put in place/updated	34%	6%
Other	32%	24%

Other responses include: Training/support/engagement for/with employers (7%), Chasing employers for missing data (6%)

Schemes with more rigorous processes for managing administrators were more likely to have implemented a **data improvement plan**:

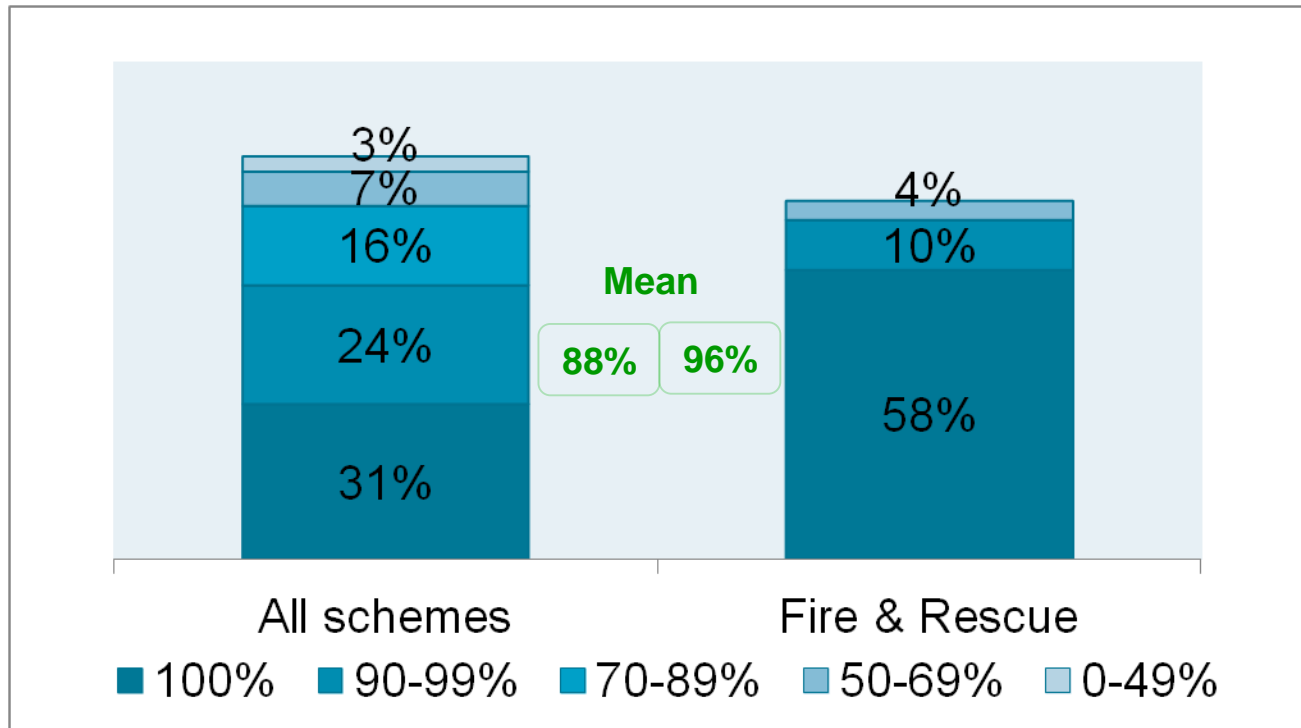
- 40% of those with SLAs/contracts setting out performance metrics (vs. 21% of other schemes)
- 49% of those where administrator provides assurance reports (vs. 27% of other schemes)
- 44% of those where independent auditors review provider performance (vs. 10% of other schemes)

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FPS less likely than average to take action on the back of data reviews. Only 6% have put an improvement plan in place.

Provision of data by employers

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



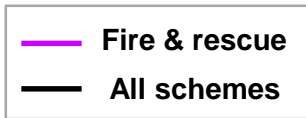
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Employer data is a much smaller concern for FPS as single employer schemes, though 1 in 4 'did not know' the proportion when answering the survey

INTERNAL CONTROLS

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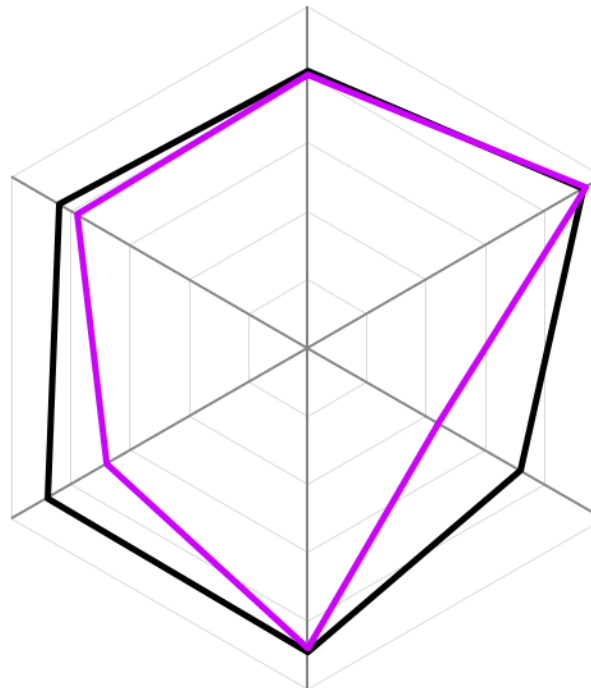
Key processes



78% have procedures to identify, assess & report breaches of the law

68% have a process for resolving payment issues & assessing whether to report failures to TPR

80% have a conflicts policy & procedure for pension board members



94% have policies & arrangements to help board members acquire & retain knowledge & understanding

44% have documented procedures for assessing & managing risks

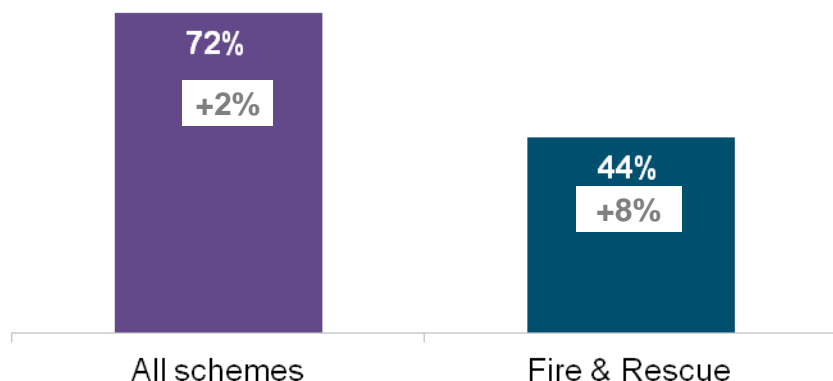
88% have processes to monitor records for all membership types

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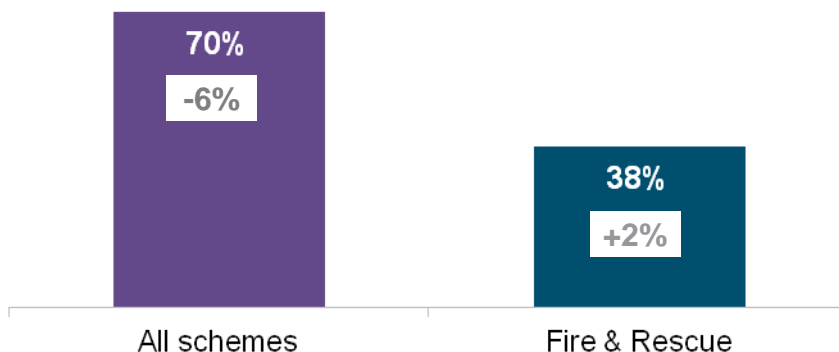
FPS less likely to have some key processes in place than average, in particular around managing risks and maintaining contributions

Assessing & managing risk

Proportion of schemes that have
“documented procedures for assessing
and managing risk”



Proportion of schemes that have “a risk
register”

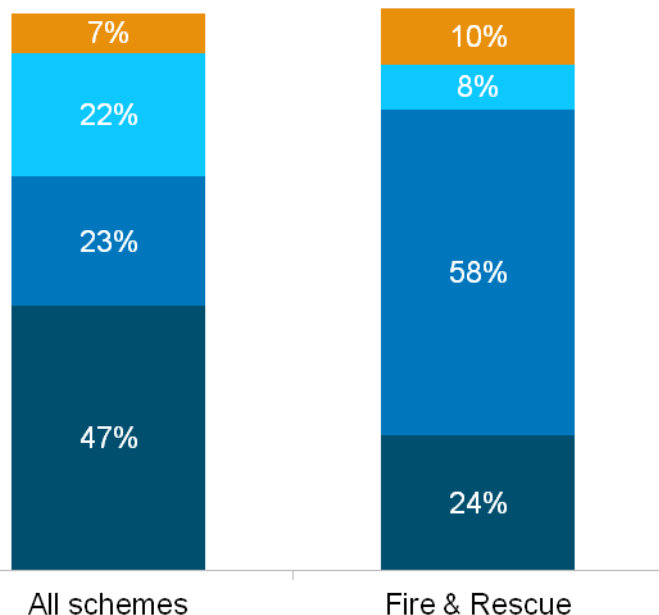


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FPS significantly less likely to have risk processes in place, or use a risk register.

Scheme administration

Which of the following best describes your administration services?



Which of the following do you use to monitor and manage the performance of your administrators?

	All schemes				Fire & Rescue
	Total	Admin type			
		In-house	Public body	Commercial	
Base: All respondents	188	90	46	39	50
Administrators attend regular meetings with scheme manager or board	84%	84%	88%	77%	82%
Administrators deliver regular reports to scheme manager or board	78%	75%	80%	73%	74%
Performance metrics are set out in contracts or SLA's	67%	43%	83%	98%	64%
Independent auditors review performance	66%	73%	56%	65%	52%
Administrators provide independent assurance reports	30%	27%	31%	37%	30%
Penalties are applied where contractual terms or service standards are not met	14%	2%	13%	38%	12%
Other	13%	16%	11%	7%	16%

Over half of FPS are administered by another public body (typically LGPS). Use of SLAs is lower with in house administrators, and use of penalties is low overall.

Monitoring/managing performance of administrators

Which of the following do you use to monitor and manage the performance of your administrators (whether in-house or outsourced)?

	PSP Schemes	DC Schemes	DC Schemes (excl micros)	DB Schemes
<i>Base: All respondents</i>	188	219	98	219
PSPS Q: Administrators attend regular meetings with scheme manager or board Record-keeping Q*: Administrators attend trustee meetings <u>at least annually</u> to answer questions on record-keeping and administration	84%	51%	62%	75%
PSPS Q: Administrators deliver regular reports to scheme manager or board Record-keeping Q*: Supplies administration and record-keeping reports to the trustee board <u>at least annually</u>	78%	54%	52%	82%
PSPS Q: Performance metrics are set out in contracts or SLA's Record-keeping Q*: Administrator has a 'scheme administration contract' or 'service level agreement' in place with the trustee board	67%	29%	52%	67%

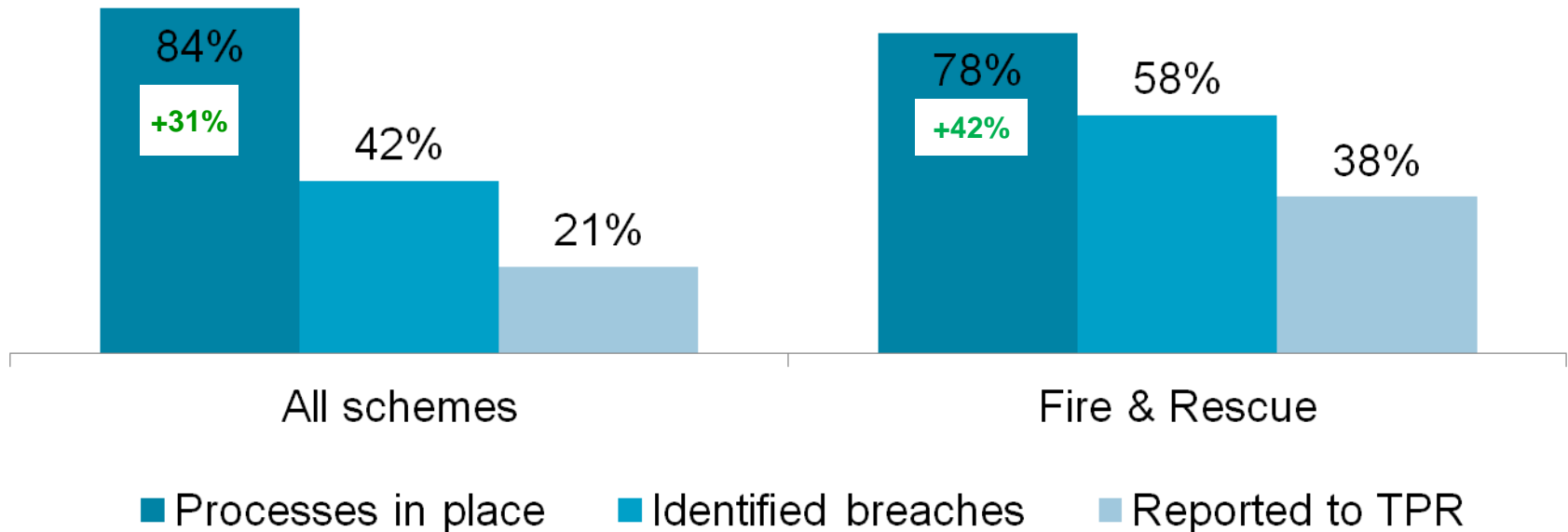
	PSP Schemes		DB and DC Schemes	
	In-house	External	In-house	External
PSPS Q: Performance metrics are set out in contracts or SLA's Record-keeping Q*: Administrator has a 'scheme administration contract' or 'service level agreement' in place with the trustee board	43%	86%	23%	74%

*Taken from the 2016 Record-keeping Survey. A survey of DC and DB scheme administrators

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Approximate benchmarking suggests PSPS use of controls are on a par, or higher, than trust-based schemes

Procedures to assess breaches of the law



FPS have made significant improvements in the presence of breach reporting processes. They are more likely than average to identify breaches and report them to TPR.

Causes of breaches identified

What were the root causes of the breaches identified?
(All schemes identifying any breaches of the law)

Top Mentions (2%+)	All schemes	Fire & Rescue
<i>Base: All identifying breaches of the law</i>	81	29
Failure of employers to provide timely, accurate or complete data	60%	41%
Systems or process failure or issues	43%	55%
Late/non payment of contributions	13%	0%
Management of transactions (e.g. errors or delays in payment of benefits)	11%	0%
Failure to maintain records or rectify errors	9%	10%
Lack of knowledge and understanding	9%	10%
Capacity issues	5%	10%

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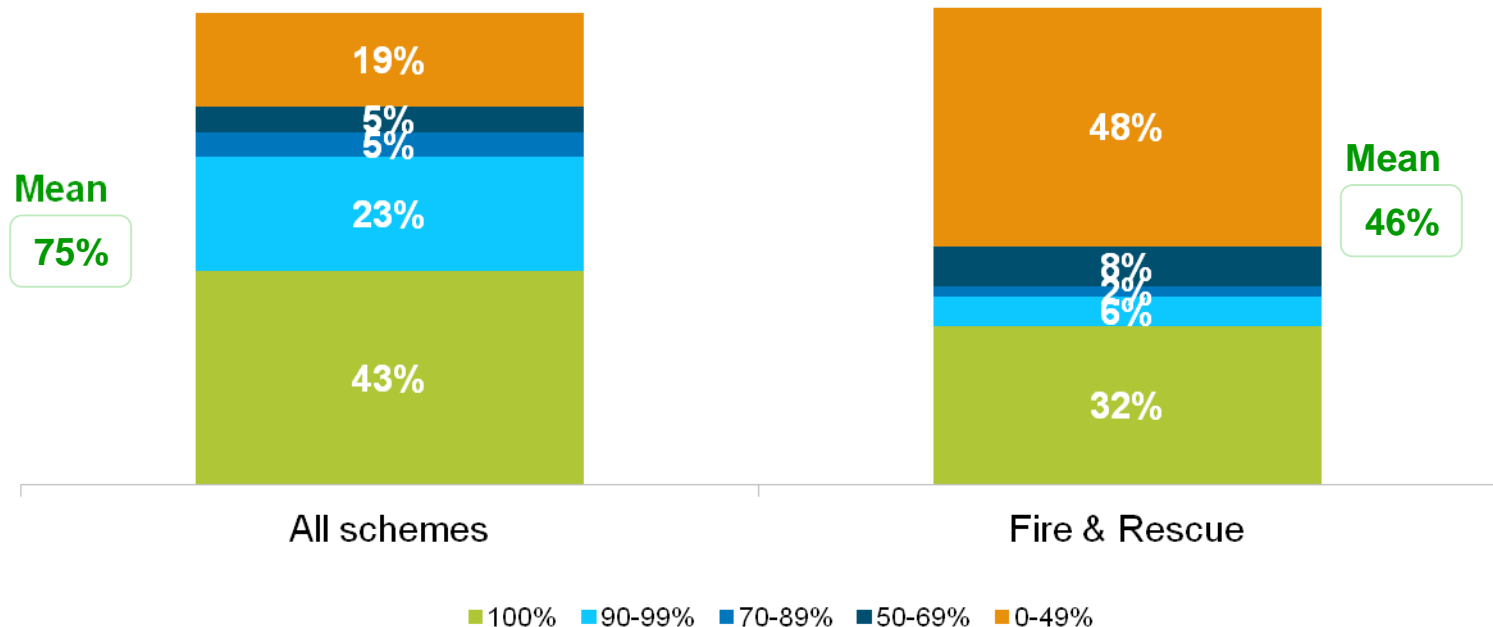
Systems/process issues and employer data the most common
 root causes of breaches identified

MEMBER COMMUNICATIONS

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Provision of annual benefit statement

In 2016, what proportion of active members received their annual benefit statement by the statutory deadline?

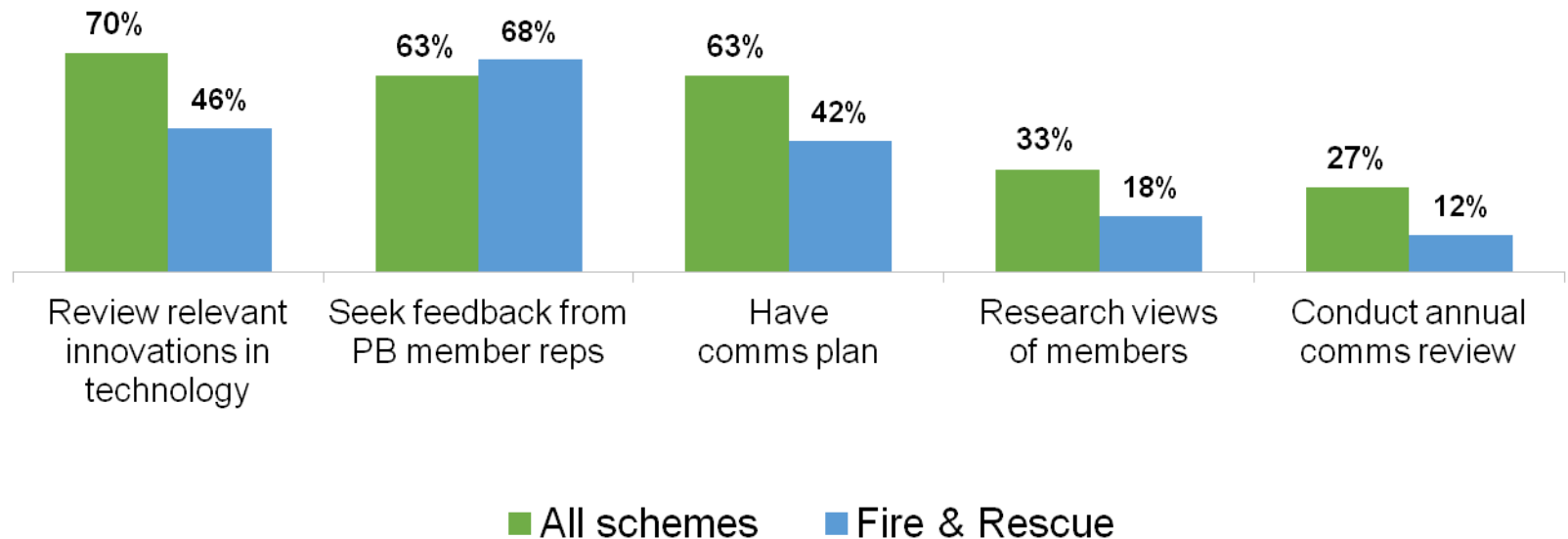


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Only a third FPS reported that all their members received their ABS on time. On average the deadline was missed for 54% of memberships

Ensuring effective communications

Does the scheme do any of the following to assess and, where necessary, to improve the effectiveness of its communications to members?



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FPS are slightly less likely to use a range of tools to assess and improve member communications

RISKS AND ISSUES

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Top risks

What are the top three governance and administration risks on your register? Top LGPS mentions (*All with a risk register*)

Top Mentions	All schemes	Fire & Rescue
<i>Base: All with risk register</i>	<i>131</i>	<i>19</i>
Records	36%	21%
- of which GMP	8%	0%
Funding/investment	34%	5%
Poor or ineffective governance	29%	21%
Legislative change or complexity	23%	47%
Employer compliance	23%	11%
Recruitment, training & retention of staff & know how	19%	21%
Failure of internal controls	18%	16%
Systems	18%	26%
Administrator failure	13%	16%
Resourcing	11%	11%

Legislative change and scheme complexity perceived by FPS as top risk and barrier to improvement

- Volume of legislative change and scheme complexity cited as the top risk, and main barrier to improvement, by FPS
 - 52% of FPS respondents identify it as top risk (34% overall)
 - 34% identify it as a barrier to improvement (28% overall)

‘Highly complex schemes that the employer's payroll system cannot deal with without a high proportion of manual interventions’

‘Complexity of pension scheme can be a barrier for effective governance as board members are not pension experts.’

‘increasing administration costs due to ever changing regulations and processes’

‘Complexity of scheme regulations and requirements, pace of change’

Barriers to improvement

What are the main barriers you face to improving the governance and administration of your scheme?

Top Mentions (5%+)	All schemes	Fire & Rescue
<i>Base: All respondents</i>	<i>188</i>	<i>50</i>
Resourcing	29%	20%
Securing compliance with legislation	28%	34%
- Volume of change	15%	10%
- Scheme complexity	16%	26%
Poor or ineffective governance	18%	22%
Recruitment, training & retention of staff & know how	11%	10%
Systems	8%	10%
Failure of internal controls	5%	6%
There are no barriers	15%	9%

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Many respondents felt there were no barriers to improving the G&A of their scheme, but some raised concerns around governance and resourcing

Addressing barriers

What steps are you currently taking to address these barriers?
(All schemes identifying barriers)

	All schemes	Fire & Rescue
<i>Base: All identifying barriers</i>	149	36
Increasing capacity/resource planning/specialist knowledge	26%	17%
Systems/software improvements	25%	11%
Employer engagement/training	18%	8%
Increase board size/training/engagement	39	9%
Business/improvement plan/review	14%	12%
Introducing employer/member self service	3%	7%

To what would you attribute any improvements made to the scheme's governance and administration in the last 12 months?

	All schemes	Fire & Rescue
<i>Base: All respondents</i>	188	50
Improved understanding of underlying legislation and standards expected by TPR	69%	76%
Improved understanding of risks facing scheme	57%	50%
Resources increased or redeployed to address risks	40%	34%
Administrator action	35%	34%
Scheme manager action	33%	42%
Pension board action	33%	46%

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Improved understanding of requirements and risks were seen as the key drivers of improvements. FPS less likely to have taken steps to address barriers.

Complaints

In the last 12 months, how many complaints have you received from members or beneficiaries in relation to their benefits and/or the running of the scheme?

	All schemes	Fire & Rescue
Total complaints	8,011	155
Share of complaints	100%	2%
Share of universe memberships	100%	1%
Complaints as % of memberships	0.10%	0.17%

How many of these have entered the IDR process?

	All schemes	Fire & Rescue
Mean	43%	48%

Please list the top three types of complaints received?

(All schemes receiving any complaints)

Top Mentions (5%+)	All schemes	Fire & Rescue
<i>Base: All that have received complaints</i>	132	28
Ill health retirement disputes	31%	14%
Delays in payment of benefits	30%	18%
Incorrect estimate of benefits	27%	11%
Transfer issues	22%	18%
Poor communication	21%	21%
Inaccurate data	11%	7%
Spousal benefits	7%	11%
Pension overpayment and recovery	7%	14%
Making allowance pensionable	5%	18%

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FPS are more likely than average to receive complaints (though this remains a low proportion of membership), with the main complaint being poor communications

TPR FOCUS

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TPR focus 2017

- Focus on locally administered schemes
- Less educate, more enforcement
- With respect to FPS:
 - Governance
 - PB/Scheme manager engagement
 - 21C: back to basics
 - Scheme return
 - Record-keeping
 - Annual data review inc effectiveness
 - Employer data QA processes
 - Developing and implementing improvement plans
 - Internal controls
 - Address gaps in processes – risk, breach reporting and maintaining contributions
 - 21C: how to work with administrators
 - Member communications
 - Expect progress on member outcomes

Challenges ahead

- GMP reconciliation
- Actuarial valuations - outcomes
- Dashboard (2019?) – [demo](#)
- General Data Protection Regulation (May 2018) - ICO [12 steps](#)