FIREFIGHTERS PENSION SCHEMES
TPR focus 2017/18

• Ongoing risk assessment and intelligence gathering
  – Governance & Administration survey – 98% response rate covering 99% of combined membership of fire & rescue schemes.
• Increasing focus on locally-administered schemes
• Survey confirms our key focus areas:
  – Governance
  – Record-keeping
  – Internal controls
  – Member communications

We will use our educate/enable/enforce regulatory approach to help schemes comply and address key risks
GOVERNANCE
¼ of boards have no regular contact with scheme manager. But FPS more likely than average to be engaging with TPR.
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

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

Perception of board’s skills is lower than average.
Governance structure – overview - England

- Responsible Authority: Home Secretary (Home Office)
  - Scheme advisory board
    - Advises on request
  - Scheme manager
  - Scheme manager
  - Scheme manager
  - Pension board
  - Joint pension board
  - Assists

Fire and rescue authorities (46)
Governance structure – overview - Wales

Responsible Authority: Welsh Ministers (Welsh Government)

Scheme advisory board

Advises on request

Scheme Manager

Assists

Pension board

Advises

Scheme manager

Pension board

Fire and rescue authorities (3)

Scheme manager

Pension board

The Pensions Regulator
Governance structure – overview - Scotland

- Scheme advisory board advises on request
- Responsible Authority: Scottish Ministers (Scottish Public Pensions Agency - SPPA)
- Scheme Manager: Scottish Ministers (SPPA)
- Assists
- Pension board
Governance structure – overview – Northern Ireland

- **Scheme advisory board**
  - Advises on request

- **Responsible Authority: Department of Health, Social Services and Public Safety (NI)**
  - Advises
  - Scheme Manager: Northern Ireland Fire and Rescue Service Board
  - Assists

- **Pension board**
Governance

- Scheme managers accountable party for most requirements
- Some confusion remains on roles and responsibilities especially on pension boards
- Variety of practice in how scheme managers work with pension boards
  - Scheme managers should use this valuable resource
  - Pension boards should take an active role in identifying key risks and driving forward improvements
- 21C governance key focus for TPR this year
  - Includes basic compliance
RECORD KEEPING
## FPS Record keeping – survey results

Most schemes are meeting our expectations of doing a data review annually.

<table>
<thead>
<tr>
<th>Last data review</th>
<th>Identified issues</th>
<th>Data improvement plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>68% in last 12 months</td>
<td>34% identified issues</td>
<td>2% data improvement plan</td>
</tr>
<tr>
<td>8% longer ago</td>
<td>39% no issues identified</td>
<td>32% no data improvement plan</td>
</tr>
<tr>
<td>4% never</td>
<td>3% don’t know if issues</td>
<td>42% no issues identified</td>
</tr>
<tr>
<td>20% don’t know</td>
<td>24% not reviewed (inc. DK)</td>
<td>24% not reviewed (inc. DK)</td>
</tr>
</tbody>
</table>

But there are concerns as to the effectiveness of these reviews.

And take up of data improvement plans is low.

21% respondents identify poor records as a top risk.

18% report delays in payment of benefits as one of top three complaints.

1 in 5 identify poor records as key concern yet the quality of action taken varies.
Employer data a much smaller concern for FPS as single employer schemes, though 1 in 4 ‘did not know’ the proportion when answering the survey and there are substantial gaps in processes for quality assuring employer data.
Record keeping

- Good record keeping is a key part to the good running of a scheme
- All schemes need to have good records to meet legal obligations
- We know from engagement that standards vary widely, and some schemes do not prioritise this appropriately
- TPR expects
  - Scheme managers to engage with administrators over service and security
  - Assess data and put in place a plan to address issues
- Further messaging on record-keeping due this year, including guidance on developing an improvement plan and setting out expectations on data security
INTERNAL CONTROLS
Internal Controls

- The scheme manager must establish and operate adequate internal controls to enable them to administer and manage their scheme in accordance with the scheme rules and the law.
- Internal controls are systems, arrangements and procedures for:
  - scheme administration and management
  - monitoring that administration and management
- Includes:
  - Managing risk
  - Controls around administrators and employers
  - Identifying and reporting breaches of the law
Significant improvement in key processes around breaches of the law and training and knowledge. FPS still less likely to have some key processes in place than average, in particular around managing risks and maintaining contributions.

Key processes
(with percentage point change on 2015)

- **94%** have policies & arrangements to help board members acquire & retain knowledge & understanding (+58pp)
- **80%** have a conflicts policy & procedure for pension board members (+2pp)
- **78%** have procedures to identify, assess & report breaches of the law (+42pp)
- **68%** have a process for resolving payment issues & assessing whether to report failures to TPR (-10pp)
- **88%** have processes to monitor records for all membership types
- **44%** have documented procedures for assessing & managing risks (+8pp)
The majority of administration is outsourced (76%), in the main to LGPS. A high proportion use SLAs. Penalties are rarely used.
FPS Assessing & managing risk

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

- All schemes: 72% (+2%)
- Fire & Rescue: 44% (+8%)

Proportion of schemes that have “a risk register”

- All schemes: 70% (-6%)
- Fire & Rescue: 38% (+2%)

Fire & Rescue schemes are significantly less likely to have processes in place, or use a risk register.
Breaches of the law

All schemes
- Process for identifying & reporting BoL: 84%
- Identified any BoL in last 12 months: 42%
- Reported any BoL to TPR: 21%

Fire & Rescue
- Process for identifying & reporting BoL: 78%
- Identified any BoL in last 12 months: 58%
- Reported any BoL to TPR: 38%

FPS are more likely than average to identify or report breaches to the regulator.
Reporting breaches of the law

- Legal duty to report a breach of the law that is likely of material significance to TPR for
  - Scheme Manager
  - Pension Board Members
  - Employers
  - Administrators and others
- Reporters to determine if a breach has occurred based on reasonable cause and not a mere suspicion
- TPR provides example scenarios and RAG system for assessing scale of materiality, by way of
  - Cause
  - Effect
  - Reaction
  - Wider implications
FPS Member communications – survey results

Proportion of active members receiving annual benefit statement by statutory deadline

- Only a third of fire & rescue schemes reported that all members received their ABS on time
- 54% of memberships did not receive their ABS in time

Tools/processes to improve effectiveness of member communications

- The larger the scheme, the more likely it is to use a range of tools to try and improve comms

Over half of memberships did not receive their benefit statements in time. Fire & Rescue schemes less likely to have in place processes to improve member comms
Member communications

• New requirement to issue ABS
• Lessons learnt from early LGPS experience fed into a quick guide
• We expect schemes to tackle the issues faced in the early years and for the proportion of members who receive their statements on time to improve
• Good communications are not just timely and accurate, but also clear – many pension boards advise on this perspective.
NEXT STEPS
Challenges ahead

- Guaranteed Minimum Pension (GMP) reconciliation
- Pension Dashboard(s)
- General Data Protection Regulation (May 2018) – Information Commissioner’s Office [12 steps] guide
- Outcome of actuarial valuations
What can pension boards do?

- Robust governance processes including clear roles and responsibilities
- Engage with the regulator’s work
- Support the scheme manager – assess risks, challenge and ensure plans are in place
  - Focus on top 3 risks
  - Look ahead – GMP, Dashboards, GDPR
- Knowledge and understanding
  - TPR toolkit
Useful links

- **Public service section** of the TPR website, which we would encourage people to explore.
- Reporting breaches **guidance** and **examples**
- **Self-assessment tool** to identifying focus areas for development
- **News-by-email** service, to keep up to date with TPR’s work on public service schemes.