



## **ACTIONS AND AGREEMENTS**

**Thursday 5 March 2020**

West Midlands FS HQ, Vauxhall Road, Birmingham B7 4HW

### **PRESENT**

Tristan Ashby (TA)	Chair
Matt Lamb (ML)	SAB Scheme member representative
Cllr Roger Phillips (RP)	SAB Scheme employer representative
Ian Howe (IH)	Technical/ Admin representative (Leics CC)
Alan Tranter (AT)	FRA/ LPB representative (West Midlands LPB)
Becky Smeathers (BS)	FRA/ Finance representative (Nottinghamshire FRS)
Debbie Yeates (DY)	FRA/ HR representative (Lincolnshire FRS)
Claire Hey (CH)	LGA – Board secretariat (minutes)

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

- 1.1. Apologies were received from Malcolm Eastwood and Clair Alcock. CH passed on Malcolm's thanks to the Committee for their contributions during his term as SAB chair.

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

- 2.1. TA welcomed all to the meeting and thanked all for attending.

### **3. Changes to membership**

- 3.1. TA advised of two forthcoming changes to membership. TA confirmed that he is resigning from the SAB and his position as chair of the Committee. A new chair will be recruited from the Board.
- 3.2. Leicestershire CC are withdrawing from the FPS administration market, therefore IH will be stepping down from the committee. IH will attend one further meeting. TA thanked IH for his contribution to the group.

#### 4. Review previous actions ([14 November 2019](#))

4.1. The minutes of the previous meeting were agreed. CH apologised for the lack of progress against the actions from the meeting due to conflicting priorities.

- i. CA to develop RAG matrix of board engagement, with a checklist for committee members attending meetings.*
- ii. TA to draft letter to scheme managers to accompany commentary on TPR survey.*
- iii. CH to distribute LPB engagement infographic with minutes.*
- iv. CA/ CH to review source data and provide further update at March meeting (new action iii).*
- v. CH to add engagement report to [www.fpsboard.org](http://www.fpsboard.org) and [www.fpsregs.org](http://www.fpsregs.org).*

4.2. Actions iii. and v. have been completed. All other actions are carried forward.

#### 5. Remedy update and actions for LPBs

5.1. CH gave an update on the informal HMT proposals for remedying the age discriminatory transitional protections of FPS 2015. CH confirmed that the SAB have had sight of a working paper outlining these proposals, in order to test government thinking. The Board are working with a group of cross-sector stakeholders to provide a response ahead of the formal consultation scheduled for spring.

5.2. Under the proposals, members will revert to their final salary scheme and will then be able to make a choice for the solution implementation period to receive either final salary or CARE benefits. The options proposed are currently a) immediate choice, an irrevocable choice made at the end of the remedy period, or b) deferred choice made at retirement where the member will have the benefit of hindsight, in respect of events such as promotion, ill-health, and death.

5.3. 'Immediate' choice will not be immediate, as it would not take place until the end of the 'remedy period'; a yet unspecified date which is not likely to be before 2022 and may well be longer. In order to bring legislative change to end the discrimination, primary and secondary legislation will be necessary as well as lengthy discussions on tax implications, all of which will affect the timeframe.

- 5.4. CH confirmed that the Committee did not need to consider the proposals but should think about the impact on LPBs and any necessary changes to governance. However, several points were raised by members in relation to the proposals.
- 5.5. DY and IH commented on implications for contributions, tax relief, annual allowance, and pension sharing orders. IH confirmed that queries on tax issues were already being received. DY said that 900 queries were received from members during the FPS 2006 special members exercise and that FRAs do not have dedicated resource for pensions. DY suggested that representative bodies should work with authorities to provide support to members.
- 5.6. RP stated that there are pros and cons to both options, although the working group have expressed an inclination towards deferred choice. The priority for government is avoiding future legal challenge. RP noted the increase in cost for administrators and FRAs, citing the potential for New Burdens and highlighting that the reduction in administration options may have further impact.
- 5.7. DY pointed out that resources would also be affected. TA confirmed that this had influenced the working group's thinking as there would be significant pressure on resources for immediate choice, whereas deferred choice would spread the load. BS asked if 2022 is a reasonable timescale for changes to software to be implemented.
- 5.8. ML stated that the Committee should look to highlight the role and resources of LPBs and consider what needs to be put in place to support local boards, particularly in terms of monitoring action on immediate cases.
- 5.9. DY expressed concern that information may not be provided early enough for members to make a decision. DY asked whether formal endorsement of independent financial advice (IFA) companies could be considered, as FRAs are not able to provide relevant advice and this may have affected members' decisions in the special members exercise. BS agreed that FRAs do not have enough available resource.
- 5.10. TA confirmed that the Committee will play a pivotal role in supporting boards, however, there is no action that can be taken at present due to the number of unknowns within the informal proposals. RP stated that the Board will make representations to support extra resources and capacity and highlighted the need for consistency.

- 5.11. CH asked the group for views on what boards should be doing now. IH noted that LPBs should ensure that FRAs are working closely with their administrator. IH stated that communications and assistance obtaining financial advice will be important. IH said that boards should be made aware of risks and try to mitigate them where possible. IH acknowledged that LPBs have a lack of knowledge and resource and suggested these could be pooled.
- 5.12. BS suggested that national training be provided for administrators, FRAs, and LPBs. IH queried whether this could be made mandatory. TA said that the implications of not accepting advice and support should at least be highlighted.
- 5.13. ML suggested writing to all FRAs outlining plans for training. IH added that this should also explain resource implications. TA asked RP if he would act upon such a communication. RP concurred, if addressed to the chair and CFO, accepting that there would be problems with those authorities who habitually do not engage.
- 5.14. BS said that the National Fire Chiefs Council (NFCC) and Fire Finance Network (FFN) forums could be useful. DY highlighted that there has been no NFCC engagement on pensions for some time but felt that the FFN would be key due to budget implications. BS confirmed that the Home Office provided a remedy update at the last FFN meeting.
- 5.15. IH commented that LPBs and FRAs should add remedy to their risk registers. RP stated that unilateral engagement is needed as an inconsistent approach could affect the integrity of the schemes.
- 5.16. DY said that issues around taxation and ill-health could be used to engage FRAs as discussions of a financial nature tend to promote interest. IH added that increased time spent on IDRs and the prospect of legal challenge could also encourage FRAs to take note, using the cost of special projects from the Aon [administration and benchmarking review](#) to illustrate financial implications.
- 5.17. BS said that software and administration capability would be key discussion points. BS asked if Heywood and Civica are involved in conversations at a national level. CH confirmed that both software suppliers have been party to the working group and other technical discussions.

## 6. ABS survey 2019 research report

- 6.1. The first draft of the ABS research report was circulated to the Committee with the meeting agenda. CH talked briefly through the executive summary to highlight key points and members were asked for comments. CH explained that separate surveys had been issued to administrators and FRAs which had allowed more accurate analysis of the data as questions could be targeted.
- 6.2. The Committee were pleased to note that the response rate was higher than last year. CH confirmed that most data had been submitted on time and that only a small fraction of records were returned for query. CH noted the discrepancy between administrators and FRAs stating that the deadline was met and highlighted possible reasons for this. DY commented that there had been known issues around FPS 2006 special members and stated that it may also be dependent on who completed the survey.
- 6.3. In terms of internal controls, RP recommended that there should be discipline in reporting to the LPB, so this should be done whether the deadline was met or not. DY pointed out that depending on the timing of meetings, a delay is more likely to be reported to the scheme manager and fed back to the LPB later. CH suggested changing the wording of the question to “made aware of” rather than “reported” for next year and noted the challenge of wording the questions appropriately for different stakeholders.
- 6.4. AT said that the survey outcomes could be useful for peer review if the data could be tapped into in respect of individual evidence. CH confirmed that data in respect of each FRA had been exported and could be provided to boards for review.
- 6.5. DY commented that the paid Survey Monkey allowed partial responses to be saved which was helpful. DY added that the data export will allow FRA responses to be compared to the administrators.
- 6.6. AT said that the empirical data results will allow benchmarking to show annual improvement. TA agreed that the quality of data appears to be improving year on year which ties in with TPR’s focus on data quality.
- 6.7. Where one-third of administrators stated the ABS process was completed in less than one month, IH asked that this is cross-referenced against those that request monthly data returns. This will be reflected in the second draft of the report. IH suggested that a further question be added to next year’s survey on the three biggest ABS risks.

- 6.8. While there were several FRAs whose administrator did not respond and vice-versa, the Committee noted particular concern where neither party had submitted a response. CH noted that this could highlight a lack of internal controls, as the four FRAs in this category have demonstrated a consistent lack of engagement.
- 6.9. RP suggested that the Committee recommend the SAB to contact the authorities involved. CH to check whether responses have been received in previous years.
- 6.10. POST-MEETING UPDATE: Additional analysis of respondents has shown FRA responses are up from 18 to 33 this year. Ten of those that did not submit a reply are the same as last year, and three of those fall into the category at paragraph 6.8. Two FRAs submitted a response last year but not this year. This may have been due to the change to the deadline. Unfortunately, a list of respondents to the 2017 survey is not available for comparison.

## **7. Peer review framework**

- 7.1. AT explained that he has spoken to colleagues at West Midlands Fire Service (WMFS) and via the Midlands regional HR group regarding the feasibility of a peer review framework for LPBs. AT said that he will work with LPBs at a regional level to obtain views and support and provide a further update in June. AT noted that pension practitioners were less enthusiastic due to lack of resource.
- 7.2. BS agreed that FRAs have a lack of experienced staff and that training new staff is time-consuming. IH commented that Leics CC require 7 years pension experience plus a relevant qualification for FPS staff. AT said that WMFS have 1.5 colleagues dedicated to pensions. DY highlighted that Lincolnshire have no dedicated resource and no facility to recruit as part of an LGPS shared service.
- 7.3. AT agreed that resourcing is affected by different governance structures.
- 7.4. TA asked AT if he was happy to progress the framework with WMFS. AT confirmed that he will take forward with HR. DY noted that it would be helpful to get a model in place.
- 7.5. In relation to resourcing, IH noted increased pressure on the LGA team due to remedy and wondered if anything could put in place to support resourcing, such as working groups. DY suggested pushing for a higher levy to provide more resource for the team, to act as a central point of contact for queries and ensure advice is consistent.

7.6. TA noted that this would require a robust business case. RP considered whether the Committee could make a recommendation to the SAB. RP highlighted that there must be a consistent message regarding capacity, cost, and resource. CH pointed out that there is limited resource within the sector and recruiting to the team would potentially mean drawing experienced staff away from another organisation. DY remarked that it would be worthwhile for the greater good.

## 8. 2020 work-plan

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

- i. Consider whether items arising from the outcomes of SAB and TPR surveys demonstrate need for a business case to the Home Office for regulatory change – no longer deemed to be an issue given current difficulty in effecting any legislative change.
- ii. Publication of LPB annual report template – [Nottinghamshire FRS](#).
- iii. Committee members to attend LPB meetings and/ or training – standing item.
- iv. Publish commentary on combined survey results – completed via LPB training.
- v. Publish joint board guidance and promote support available to applicants.
- vi. Consider how to engage with LPBs who do not respond to requests for information nor attend training and events – standing item.
- vii. Publication of ABS 2018 survey research report.
- viii. Engage with software suppliers on FPS2006 special members and online self-service. Replaced by new item xii.
- ix. Revise and publish draft LPB Terms of Reference.
- x. Develop SAB survey of LPBs to be launched in March 2020.
- xi. Develop matrix of LPB performance to benchmark survey results.
- xii. Engage with software suppliers on Sargeant remedy.
- xiii. Consider peer review framework for LPBs.
- xiv. Highlight the role and resources of LPBs in relation to remedy and consider what needs to be put in place to support local boards.
- xv. Recruitment of new Committee member(s) and chair.

8.2. CH proposed closing item iii. as to date only TA has been able to visit LPBs and he will no longer chair the Committee. The group were opposed to this. AT suggested visits should be undertaken on a rota basis and BS proposed that priority should be given to those four FRAs identified via the survey with Committee members trying to obtain an invitation to attend. This was also relevant to item iv.

8.3. RP added that he would promote the work of the Committee and LPBs at the forthcoming annual LGA Fire conference. CH noted that Clair Alcock was delivering a lunchtime fringe session on scheme changes.

8.4. Two further items were added at the suggestion of the group: an action on remedy (DY) and recruitment (AT).

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

➤ June 2020 - TBC (18 Smith Square)

9.1. TPR will be invited to the next available meeting of the committee after the results of the 2019 governance and administration survey are published. The survey results are not likely to be released before May although there is no fixed timescale.

## **10.AOB**

10.1. CH gave a brief update on the TPR scheme return, governance and administration survey, and supervision activity following a meeting at LGA on 4 March.

10.2. All Fire schemes measured common data, 10 FRAs did not return a scheme-specific data score. A drop in scores for both categories was noted. CH confirmed that this ties in the experience of the Committee. TPR understand that processes are bedding in and would expect to see future improvements in common data. TPR appreciate that remedy will impact on scheme-specific scores in the short term and are taking a pragmatic view. The main concern is whether schemes are measuring data in the first place.

10.3. TPR noted an excellent response to the survey with only one FRA that did not respond. There was good representation from scheme managers and LPB chairs indicating better collaboration. There had not been a great deal of movement against the six key processes measured each year.



- 10.4. There was a 10% reduction in schemes indicating they had procedures in place to assess and manage risk due to a change of wording in the question. TPR confirmed that having a risk register is a good indicator of strong governance and internal controls.
- 10.5. At least half of FRAs are now scheduled to have four LPB meetings a year, with a 10% increase across the board in the number of meetings that took place. There has been general improvement in schemes having sufficient time and resources and access to skills and knowledge; evaluation of knowledge and understanding has increased for FPS. TPR noted a correlation between lack of time/ resources, and this being a barrier to improving governance.
- 10.6. Two new questions were added around knowledge and understanding: how many hours of training per year do board members undertake, and do members have access to all information needed to fulfil their role. FPS reported eight hours of training per year, although there was some discussion around what constituted training. Almost all FRAs (98%) stated they had access to all relevant information.
- 10.7. Turnover of board members is consistent at around 20%. TPR have no view on term but would encourage staggering and handover/ induction process. CH highlighted that the revised draft terms of reference recommend a period longer than 12 months. LGPS recommend 4-5 years with opportunity for re-election in alignment with UK corporate governance code. The Committee felt that this is too long. Just under half of FPS boards have a succession plan in place and 78% have a scheme manager delegation in place for day to day operations.
- 10.8. Top governance and administration risks for Fire were record keeping and securing compliance with regulations. Only 2% stated McCloud/ Sargeant. Over half of FRAs stated they have a pension administration strategy in place, although CH was unsure that this is correct. CH confirmed that a template strategy is being drafted in line with the recommendations from Aon's administration and benchmarking review.
- 10.9. The use of SLAs to measure administrative performance is high, but there do not appear to be any other measures in place for FPS. CH noted that this tied in with Aon's findings on variance in reporting standards. Administration is never covered at 6% of FRA board meetings and is generally less likely if carried out in-house. New questions were asked around the automation of processes, which included almost all calculations and ABS. TPR expressed surprise that verification of employer data and reconciliation of contributions was largely manual. Barriers to automation were seen to be cost of set up, integration with existing systems, and lack of available technology.

- 10.10. The proportion of timely and accurate data returns decreased for the FPS. Both categories were affected by whether data is provided electronically or not, and whether it is provided monthly or annually.
- 10.11. There were improvements in cyber risk across the board, including reporting to the LPB and system controls. A decline in fraudulent email activity was noted.
- 10.12. The survey reported a 10% increase in Fire schemes carrying out a data review. Provision of ABS on time was down across the board, with an 11% reduction for FPS which did not seem to correspond with the Committee's ABS survey outcomes. However, there was improvement in the proportion of ABS containing full and accurate information.
- 10.13. Overall, fewer complaints were recorded, with 67% of FPS complaints progressing to Internal Dispute Resolution Procedure (IDRP); 30% of these were upheld. CH said that the SAB intend to collect data on IDRP cases to monitor trends across the sector. Procedures on breaches of the law had increased for all schemes and breaches identified in the last 12 months had also increased for FPS.
- 10.14. Scheme complexity and lack of time/ resources as barriers to improving governance and administration had decreased, which TPR attributed to improvements in support and increased understanding of scheme rules.
- 10.15. TPR were asked for a view on including projections on ABS in light of remedy. CH explained that the SAB will be asked to provide direction to FRAs to ensure consistency, with the consensus being that basic projections of minimum benefits are included with a strong caveat. IH opposed this, as Leics CC have already determined not to project.
- 10.16. TPR's view was that scheme must comply with the current law in force, and that it may be preferable to accept criticism from members than risk reputational damage. TPR were supportive of SABs issuing a statement on scheme requirements with a caveat on McCloud (Sargeant) and ongoing Employment Tribunals.
- 10.17. TPR gave an update on supervision relationships with selected FRAs. All four have now been contacted and provided the requested information. One has had a review day and the evaluation is being completed. Concern has been noted so far over key personnel risk and lack of documented procedures. While the report will be confidential to the FRA, TPR have fed back that it would be helpful for key themes to be shared.
- 10.18. There were no further items of AOB. The meeting closed at 14:30.