



## Public Service Governance and Administration Survey 2016

		Fire	Police	LGPS	Other
1	Survey response rate	98%	76%	90%	100%
2	Conflicts policy and procedure for pension board members	80%	71%	85%	100%
3	Register of interests	86%	74%	87%	100%
4	Knowledge and Understanding arrangements	94%	89%	93%	100%
5	Frequency of scheme manager attendance at pension board meetings	68%	43%	86%	82%
6	Procedures for assessing and managing risk	44%	51%	92%	91%
7	Risk register	38%	51%	91%	91%
8	Where risk management procedures have contributed significantly to new or revised internal controls	14%	28%	29%	20%
9	Where administration is delivered in-house	24%	20%	73%	36%
10	Employers providing timely, accurate and complete data	58%	63%	7%	9%
11	Data review within the last 12 months	68%	77%	83%	100%
12	Data review covering both before and after 1 April 2015	68%	61%	76%	91%
13	Where data review identified any issues or problems	45%	52%	66%	100%
14	All annual benefit statements received by statutory deadline	32%	54%	45%	36%
15	Average number of complaints entering IDRPs	48%	44%	38%	60%
16	Procedures in place to identify, assess and report breaches of the law to TPR	78%	69%	91%	100%
17	Proportion that had identified any breaches of the law in the past 12 months	58%	11%	45%	64%
18	Proportion of reported breaches that were thought to be materially significant	38%	9%	15%	45%
19	Frequency of visiting TPR web site	60%	29%	61%	73%
20	Proportion judging TPR to be effective	82%	74%	85%	82%

# Top 4 areas of Improvement

## Risk

- Procedures for Assessment and Management
- Risk Register

## Internal Controls

- Systems, arrangements and procedures for managing and monitoring the management of the pension scheme
- Managing risk
- Identifying and reporting breaches of law
- Controls around administrators

## Effective Scheme Manager Delegation

- Accountability
- Management of delegation

## Communications

- Annual Benefit Statements
  - Provision of Information to Members
-

# Risk

Regulatory and Compliance	Financial	Operational
Non compliance with TPR	Excessive Charges	Member Data
Failure to interpret regulations	Pension Fund accounting mistakes	Administrative failures
Failure to comply with disclosure requirements	Authority costs due to failure to apply scheme / tax rule correctly	Premises
Failure to communicate with scheme members	Failure to deduct correct employee contributions	Software failure/ corruption
	Fraud	Workforce planning

# TPR Assessment Tool

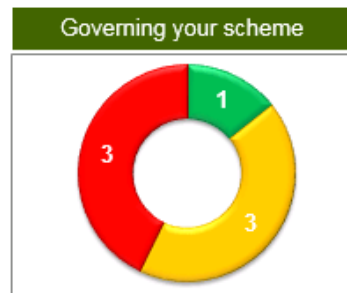
## Results

### Using this report

In this report we have provided an indicative risk rating for each answer you selected, alongside some guidance and links to additional information. This report does not provide an assessment of compliance with the law – it indicates areas that might be of particular concern and where you may wish to focus. You should seek legal advice where required.

To minimise the risk of non-compliance with the law, you should conduct a comprehensive review of your scheme against the requirements set out in the legislation and the guidance provided in our code of practice. Statistics refer to findings from TPR's 2015 survey into the Governance and Administration of Public Service Schemes.

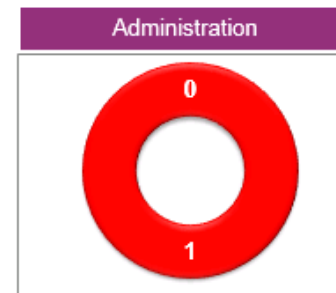
### A summary of your results



Percentage of questions answered: **88%**



Percentage of questions answered: **17%**



Percentage of questions answered: **13%**

# How are you doing?

	Governing your scheme	Managing risks and issues (internal controls)	Administration
Low			
Medium			
High			

---

# TPR – Example Risk Register

Public Service toolkit downloadable

Example risk register

Risk area 1 – Operations	Likelihood (1: least likely, 10: most likely)	Impact (1: least likely, 10: most likely)	Score (likelihood x impact)	Control	Owner	Test	Next review	Comment
Operational disaster (fire/flood etc)	1	6	6	Business continuity procedures in place for administrator	Scheme manager	Annual	Q1 Y2	Up-to-date business resiliency programme provided by administrator as at 01/01 Y2, reviewed by scheme manager at meeting in Q1 Y2
				Business continuity plans in place for scheme manager	Scheme manager	Annual	Q2 Y2	Documented programme in place to ensure continuity will be provided by pension finance manager to scheme manager in time for quarterly meeting in Q2 Y2
				Contracts with all advisers and suppliers are recorded on central database	Pension finance manager	Annual	Q1 Y3	Contracts held in hard copy in safe, and electronically in secure area of scheme management intranet. Checked by pension finance manager January Y2
Member data incomplete or inaccurate	5	7	35	Annual report from administrator, used as basis for rectification plan	Scheme manager	Annual	Q3 Y2	Initial rectification plan completed Q3 Y1. New report received from administrator at Q1 Y2 meeting, revised rectification plan agreed with administrator. To review progress at Q3 quarterly meeting
				'Not known at this address' returns from annual statements checked by tracing agency	Pension administrator	Annual	Q2 Y2	Details provided by administrator mid January Y2, passed to tracing agency at end of January. 25% traced by quarterly meeting in Q1, update will be provided to scheme manager for Q2 meeting
Administration process failure/misadministration	4	8	32	Formal agreement in place with administrator, including SLAs	Pension finance manager	Annual	Q1 Y3	Last reviewed Q2 Y1, three year agreement
				Authority levels clearly agreed and kept up-to-date	Scheme manager	Annual	Q2 Y2	Last reviewed Q2 Y1
				Review independent audit reports of administrator's processes	Scheme manager	Annual	Q2 Y2	AAF01/06 held by administrator as at DD/MM/YYYY
				Ongoing dialogue with third party administrator	Pension administration manager	Ongoing	Q2 Y2	Weekly phone calls between pension administrator manager and third party administrator, plus ad hoc calls when necessary
				Written reports and quarterly presentations by administrator to scheme manager	Scheme manager	Quarterly	Q2 Y2	Next report from administrator due two weeks before quarterly meeting

[TPR - example](#)

[Fire example](#)

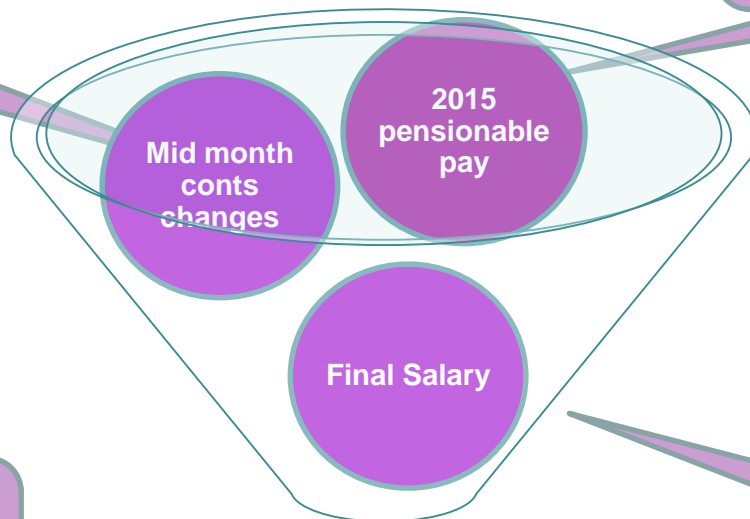
# Potential negative outcomes

- Censure by the Pensions Regulator (TPR) for non-compliance with the requirements of the Public Service Pensions Act 2013 and other primary legislation.
  - Findings against the authority by the Pensions Ombudsman.
  - Failure to fulfil financial responsibilities.
  - Overpayment or underpayment of pension amounts.
  - Incomplete data leading to valuation assumptions which could result in increased employer contributions.
  - Incorrect tax liabilities for the authority and scheme members.
-



# Record Keeping?

## Inputs



Change of contribution rate for mid month tapering

CARE pensionable pay for scheme year

Mid month conts changes

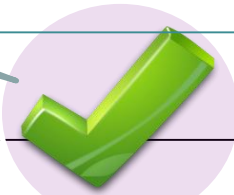
2015 pensionable pay

Final Salary

Link to final salary for transitional benefits

Correct pension

## Outputs



# 2015 Scheme Pension Pot - Example

Date from	Date to	Account Balance	Reval rate	Opening Balance	Actual Pay	Pension Build Up	Closing Balance
01/04/2015	31/03/2016	£0.00		£0.00	£29,850	£500	£500
01/04/2016	31/03/2017	£500	2%	£510	£30,500	£510.89	£1020.89
01/04/2017	31/03/2018	£1020.89	2.6%	£1047.43	£32,000	£536.01	£1,583.44
01/04/2018	31/03/2019	£1,583.44	2%	£1615.11	£32,700	£547.74	£2,162.85
01/04/2019	31/03/2020	£2,162.85	4%	£2249.37	£33,600	£562.81	£2,815.18
01/04/2020	31/03/2021	£2,815.18	1%	£2840.30	£35,000	£586.26	£3426.57
01/04/2021	31/03/2022	£3426.57	3%	£3529.36	£35,900	£601.34	£4,130.70
01/04/2022	01/04/2023	£4,130.70	2%	£4213.32	£36,500	£611.39	£4,824.71

# Questions to ask?

## Mid Month Tapers

- Are pension boards comfortable they will comply with regulations and deduct contributions on time
- How will the changes be managed

## Pensionable Pay

- Are pension boards comfortable that 2015 pensionable pay can be identified.

## Supplying data to the administrator

- Mid month contribution changes
  - CARE and Final Salary Pensionable Pay
  - APP for retirement and death cases
  - Final Pay
  - On time for valuation and annual benefit statement purposes
-

# Internal Controls

## Scheme Manager Engagement

- Can you identify who is the delegated scheme manager
- Does the scheme manager regularly attend board meetings?
- Does the chair of the board have regular meetings with the scheme manager
- Are there barriers to the above?

## Arrangements and Procedures for administration and scheme management

- Are they the same thing?
- Who is responsible for managing the scheme, does that include administration?

## Who monitors?

- Does the 'scheme manager' get reports
  - Does the scheme manager report to the Chief Fire Officer?
  - Does the chief report to the authority?
  - What escalation procedures are there?
-

ACTION	NOTES	YES/NO
Do you have effective arrangements and procedures to ensure that the pension scheme is being run in accordance with the scheme rules and requirements of law?	See paragraphs 94-112 in the code at <a href="http://www.tpr.gov.uk/code14">www.tpr.gov.uk/code14</a> . Consider if you need to put further arrangements and procedures in place.	
Do you regularly review the arrangements and procedures?	If yes, how often?	
Do you have a process to identify risks?		
Do you have a process to evaluate risks?		
Do you have in place processes or controls to manage risks?		
Do you have a risk register to record all risks identified and action taken?		
Do you regularly review the risk register?	If yes, how often?	
Do you have a standing item on the pension board agenda to review scheme risks?		

# Reporting and recording breaches

	Potential investigation outcomes			
	Cause	Effect	Reaction	Wider implications
<b>Red</b>	Pension board members have failed to take steps to acquire and retain the appropriate degree of knowledge and understanding about the scheme's administration policies	A pension board member does not have knowledge and understanding of the scheme's administration policy about conflicts of interest. The pension board member fails to disclose a potential conflict, which results in the member acting improperly	Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours  The scheme manager does not take appropriate action to address the failing in relation to conflicts	It is highly likely that the scheme will be in breach of other legal requirements. The pension board do not have an appropriate level of knowledge and understanding and in turn are in breach of their legal requirement. Therefore, they are not fulfilling their role to assist the scheme manager and the scheme is not being properly governed
<b>Amber</b>	Pension board members have gaps in their knowledge and understanding about some areas of the scheme's administration policies and have not assisted the scheme manager in securing compliance with internal dispute resolution requirements	Some members who have raised issues have not had their complaints treated in accordance with the scheme's internal dispute resolution procedure (IDRP) and the law	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	It is possible that the scheme will be in breach of other legal requirements. It is possible that the pension board will not be properly fulfilling their role in assisting the scheme manager
<b>Green</b>	Pension board members have isolated gaps in their knowledge and understanding	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach	It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager

# Breaches Policy

1. Identify
  2. Assess
  3. Record / Report
-

# Scheme Manager

- Who is the Scheme Manager
  - Powers of delegation
  - To delegate or not to delegate!
  - Who to delegate to?
-



# Scheme Manager

- The Scheme Manager is defined by rule 4 of the 2014 regulations as being the Fire and Rescue Authority as determined under section 1 of the Fire and Rescue Services Act 2004
  - By virtue of regulation 4, the Fire and Rescue Authority is the scheme manager of the 2015 scheme and ‘any statutory scheme that is connected with it’
  - <http://www.legislation.gov.uk/ukxi/2014/2848/regulation/4/made>
-

# Power of delegation

- *(2) The scheme manager may delegate any functions under these Regulations, including this power to delegate, to such persons or employees of such person as may be authorised in that behalf by the scheme manager.*
  - <http://www.legislation.gov.uk/uksi/2014/2848/regulation/5/made>
-

# To delegate or not to delegate

Does this naturally fall within the Chief Fire Officers responsibilities

- Is this part of the senior management team reports to the Chief?
- Does the chair of the board have regular meetings with the Chief Fire Officer?
- Time pressures on Chief Fire Officers likely to have an affect.

Who owns pensions

- Is there a natural home for pensions within your organisation?
- Are elected members clear on their pensions responsibilities
- Are the senior management team clear on their pension responsibilities

Risks of not delegating?

- Findings against the authority by The Pensions Ombudsman
- Financial risks of pension fund mistakes
- Section 89 report from TPR

# Who to delegate to?

Section 151 Officer?

Pension Committee?

Scheme Manager  
Delegation

HR Director?

Finance Director?

## Who it's not!

- Pension Scheme Administration Manager
  - Junior Officer
-

# Annual Benefit Statements

- High on TPR agenda
  - Challenge – how to reconcile statutory obligations and retirement planning
  - SAB will be surveying in September
  - Answer? – Technology
-

# Governance Compliance Checklist

## Key Processes

- Terms of Reference
  - Nomination and Selection Policy
  - Code of Conduct
  - Conflicts Policy
  - Knowledge and Understanding Policy
  - Recording and Reporting Breaches Policy
  - Training Plan
-

# Knowledge and Understanding Top Tips

- Designate a person responsible
  - Establish and maintain policies and arrangements for knowledge and understanding
  - Keep updated documents list
  - TPR toolkit recommended
  - Personalised training plan – regular skills/knowledge review
-



Pension Board Training Plan

LGA Induction Day					20/07/2015			
TPR E-Learning - Conflicts of Interest	22/07/2015		12/10/2015	19/08/2015	14/08/2015	28/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Managing Risk and Internal Controls	22/07/2015		12/10/2015	19/08/2015	14/08/2015	28/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Maintaining Accurate Member Data	22/07/2015		12/10/2015	19/08/2015	14/08/2015	30/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Maintaining Member Contributions	22/07/2015		12/10/2015	19/08/2015	14/08/2015	30/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Providing Information to members and others	22/07/2015		12/10/2015	19/08/2015	14/08/2015	30/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Resolving Internal Disputes	22/07/2015		12/10/2015	19/08/2015	14/08/2015	30/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Reporting Breaches of the law	22/07/2015		12/10/2015	19/08/2015	14/08/2015	30/07/2015	12/10/2015	17/08/2015
ECFRS Pension Board training session 4/9/15 (Overview of schemes)	04/09/2015	04/09/2015	04/09/15 & 08/10/15	04/09/2015	04/09/2015		08/10/2015	04/09/2015
ECFRS Pension Board training session 12/10/15 (Modified Scheme)		12/10/2015	12/10/2015	12/10/2015	12/10/2015		12/10/2015	



**Remember!**

## Section 6 – Pension Board Info

requires the scheme manager to publish information about the pension board:-

*(1) The scheme manager for a scheme under section 1 and any statutory pension scheme that is connected with it must publish information about the pension board for the scheme or schemes (and keep that information up-to-date).*

*(2) That information must include information about—*

- (a) who the members of the board are,*
- (b) representation on the board of members of the scheme or schemes, and*
- (c) the matters falling within the board's responsibility.*

# What might be published?

- Specific roles and responsibilities of individual members
  - Other positions held
  - Who they represent (Chair, EEs, ERs)
  - Terms of Reference
  - Agendas / Minutes
  - Board Papers
-

# Example agenda items

- [Self-Assessment Tool](#)
  - Progress of risk register
  - Reporting breaches
  - Processes for pension fund accounting
  - Status report on meeting ABS and reconciliation deadlines
  - Training log
  - Report from regional group
  - Report from members?
- 
- Barriers to being effective?

# Local Pension Board Forum

- Regulations
  - Guidance
  - Member Communications
  - Notices and Bulletins
  - <https://knowledgehub.local.gov.uk/group/firefighters-pension-scheme-local-pension-board-members-group-forum/forum>
-

# Disclaimer

- **The information contained in these slides are the authors interpretation of the current regulations.**
  - **Readers should take their own legal advice on the interpretation of any particular piece of legislation.**
  - **No responsibility whatsoever will be assumed by LGA or their partners for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in these slides.**
-

[Clair.Alcock@local.gov.uk](mailto:Clair.Alcock@local.gov.uk)

Mobile: 07958 749056

Office: 020 7664 3189

[Bluelight.pensions@local.gov.uk](mailto:Bluelight.pensions@local.gov.uk)