



**Firefighters'
Pensions England**
Scheme Advisory Board
LPB EFFECTIVENESS COMMITTEE

ACTIONS AND AGREEMENTS

Wednesday 23 January 2019

18 Smith Square, Westminster, London SW1P 3HZ

PRESENT

Tristan Ashby (TA)	Chair
Malcolm Eastwood (ME)	Scheme Advisory Board chair
Clair Alcock (CA)	LGA
Ian Howe (IH)	Technical/ Admin representative (Leics CC)
Dave Limer (DL)	SAB Scheme member representative

Claire Hey (CH) LGA – Board secretariat (minutes)

1. Introductions and apologies

1.1. Introductions were made around the room. Apologies were received from Stuart Wilson, Debbie Yeates, and Simon Allsop.

2. Chair's welcome

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

3. Review previous actions (25 September 2018¹)

3.1. The minutes of the previous meeting were agreed.

i. Draft surveys to be circulated to the committee once a final draft version agreed with Aon.

3.2. Draft employer and administrator surveys were shared with all SAB committees on 8 November 2018. The survey was launched to stakeholders on 23 November 2018.

¹ <http://www.fpsboard.org/images/PDF/LPBsub/Minutes250918.pdf>

ii. CA and CH to finalise guidance and share with committee before end of October

3.3. Tabled under agenda item 5.

iii. CH to send an updated list of LPB engagements to the committee.

3.4. Circulated with draft minutes on 3 October 2018

4. Joint Board applications - verbal update

4.1. IH gave a brief verbal update on the progress of the East Midlands boards' joint application since the meeting in September. The submission document was finalised and sent to the secretariat for review. An additional point was suggested to support the bid, and the application sent to the three FRAs to agree before submission to the Secretary of State (SoS). Due to a delay in receiving comments, the application has not yet been submitted.

4.2. TA asked whether anything had occurred during the process to cause concern or delay. CA confirmed the high quality of the proposal, requiring only technical clarification around the role of scheme manager.

4.3. DL queried whether any other boards has expressed interest in forming a joint arrangement, given the high level of engagement at the 2018 AGM. The secretariat confirmed not at this point. ME added that interest generated at AGM appears to have petered out. CA commented that the legislative requirement for shared administration and management adds complexity.

5. Joint Board guidance offer

5.1. The secretariat have received an offer to provide legal advice on joint boards, in order to supplement the original LPB guidance. The views of the committee were sought as to whether there is value in commissioning this guidance or if the guidance developed by the committee is sufficient. The cost would be between £3.5 – 5k.

5.2. IH queried whether the supplementary guidance would cover the SoS process. CA clarified that the main focus would be the application. The primary benefit would be that it would complement existing guidance. TA asked if there are any underlying motives other than cost in making this offer. CA noted that they have a genuine interest in scheme governance.

5.3. DL noted that boards need to be at a certain level to form a joint arrangement and asked whether this standard was based on the original guidance. CA remarked that joint boards have not been considered other than by the committee, and following the East Midlands application. CA cited Home Office support of the process and of the eight question guidance.

- 5.4. DL felt that the existing guidance is fairly comprehensive and expressed doubt that any further expenditure would provide value at this time. CA agreed and suggested that the supplementary guidance could be considered at a later date if experience suggested it would be useful.
- 5.5. DL remarked that any proposal needs approval from the Home Office, so it could be assumed that they would comment if any area of the application process or documentation was lacking.
- 5.6. IH considered from a personal point of view that all necessary action had been taken by the East Midlands parties by inviting the Home Office to their initial meeting with board members and representative bodies to discuss progression of a joint board application for the region. IH felt that commissioning new guidance at this time could add new requirements which would necessitate a new application.
- 5.7. IH supported continuing with the existing committee guidance, noting that the East Midlands application had been subject to rigorous scrutiny from internal legal and democratic services teams.
- 5.8. DL added that legal interpretations can vary and any subsequent guidance could therefore overturn the completed East Midlands submission. If the SoS deem that there is a problem with the application, the offer could be reconsidered. TA summarised if all in agreement, the offer will be politely declined.
- 5.9. IH requested the support of the committee in progressing the final document for signature by the East Midlands FRAs. CA agreed, ME to email scheme managers. TA asked that the committee is updated of any progress between meetings.

6. ABS 2018 survey results (report pending)

- 6.1. CH gave a verbal update on the headline results from the ABS 2018 survey. The research report is pending and will be sent to the committee for review before general distribution.
- 6.2. The survey was in the field from 28 September 2018 to 14 November 2018. During that time 42 responses were received in respect of 31 of 47 FRAs in England and Wales (66%).
- 6.3. Over 95% of those responding confirmed that the ABS deadline was met for active members, raising a question as to whether those who failed to comply therefore chose not to complete the survey. The Pensions Regulator (TPR) results will be compared when available, to establish whether this modifies the position.
- 6.4. The greatest proportion of members not receiving a statement by the deadline fell into the category of special members of FPS 2006, and correspondingly the most common reason for delay was software that was unable to perform the required calculations. Almost 60% of those completing the survey use UPM from Civica.

- 6.5. CA noted that the results could be useful to aid conversations with software providers, if it can be evidenced that lack of functionality is directly causing material breaches. DL raised whether this should be added to boards' risk registers.
- 6.6. IH commented that the software issue should raise a red flag to administrators. CA added that members can have such unique circumstances that occasionally it can be easier and more cost effective to calculate manually, rather than develop the required system amendments. Providers and administrators need to balance cost against resource.
- 6.7. For the committee's benefit, IH outlined the manual process that Leicestershire CC undertake in order to output ABS for all categories of member using their pension administration software.
- 6.8. DL asked whether the survey results highlight a training issue at FRAs. IH commented that this does not apply within the three East Midlands FRAs, where good communications and procedures are in place and supplemented by weekly meetings.
- 6.9. Over 90% of administrators send statements to deferred members of all schemes, which is particularly encouraging as there is no legislative requirement to provide an annual update for FPS 1992.
- 6.10. The committee identified that a complete review of questions relating to internal controls is needed for the 2019 survey, including an addition to identify if ABS is included on risk registers. A breach assessment template already exists, however, the group agreed that a dedicated factsheet on reporting ABS breaches would be a useful resource.

Action:

i. CA to draft factsheet on reporting ABS breaches.

- 6.11. IH remarked that the reporting of breaches should link back to the risk register. DL added that an education piece may be needed in order that reporting a breach to TPR is not seen as negative, but operating in an open and transparent manner.
- 6.12. IH raised the breach of the cost-cap floor at the 2016 valuation and how this may affect future ABS, stating that national guidance to administrators on the position would be helpful.
- 6.13. CA confirmed that the Home Office have been advised that a steer will be needed within regulation regarding the impact on projection of benefits to normal pension age, given the potential fluctuation in accrual rate. It may be advisable to remove projections from 2019 statements in order to meet the deadline, due to lack of certainty.
- 6.14. The committee agreed that it would be irresponsible for administrators to knowingly issue information that is incorrect. CA will progress with the Home Office.

6.15. The committee were pleased to note that over three-quarters of respondents stated that they have already implemented online self-service for members to access their ABS, although it is unclear whether this includes additional functionality for projections to be undertaken. All other replies indicated an intention to migrate to electronic statements at a future date.

6.16. The draft research report will be reviewed by committee members prior to publication.

7. Admin & benchmarking review – verbal update

7.1. CH updated the committee on the number of responses received to the employer and administrator surveys, noting that the original deadline of 31 December 2018 had been extended to 31 January 2019, and reminders sent to those who have not yet submitted a response.

7.2. CA expressed concern that some of those reminded had stated that they were unaware of the surveys, as this has been well-publicised through the FPS monthly bulletins and websites, and Aon have attended the AGM, technical group meeting, and Fire Finance Network to outline the purpose and scope of the exercise.

7.3. CA suggested that this may demonstrate a lack of internal controls and confirmed that the final report will name those organisations who did not respond. The benchmarking project is vital to understanding the current administration landscape, particularly in relation to cost and level of service, and will allow evidence to be presented to the Home Office on the impact of, for example, late or retrospective changes to legislation.

7.4. ME queried whether the timing of the survey may have affected the level of responses. However, due to the timescales established for the project the surveys could not be postponed, to enable Aon to present the final report in June.

7.5. CH demonstrated the communications that had been developed to advertise the member survey, and highlighted that around 500 responses had already been received. CA noted that it will be interesting to assess how the member results correspond with the administrator and employer responses.

7.6. The following comments were received from Debbie Yeates by email:

The only issue I wished to raise was around the admin and benchmarking review – feedback from our perspective was that many of the questions were impossible to answer due to County set-up. I did feed this back prior to launch but nothing was changes which does make the whole point of benchmarking and comparison a mockery. Furthermore the recent extension to pension scheme members is going to cost us at least £300 just in postage alone to send to deferred and pensioner members (no costs yet for the administration time/printing costs of letters) at a time of survey overload and financial constraint. These factors need to be taken into account when SAB commissions this work.

7.7. CH confirmed that Lincolnshire's feedback had been received and noted. However, the questions were deemed necessary as one of the primary drivers of the survey is to find out how much is being spent on administration, before the Scheme Advisory Board (SAB) can consider whether any recommendations or suggestions for change should be made.

7.8. Following the meeting an email was sent to all stakeholders to clarify the position around contacting members; the expectation being that employers and administrators will only contact members where it is efficient and cost-effective to do so. It was not the intention of the SAB that any Authority will incur additional unnecessary expenses in printing or postage costs

8. 2019 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.
- iii. Group members to attend LPB meetings and/ or training.
- 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.
- vii. Publication of ABS 2018 survey research report.

8.2. CA to progress the LPB annual report template [item ii] based on the South Yorkshire FRS example. It may be possible to obtain copies of reports from FRAs and hold them on the [Local Pension Board](#) page of the SAB site.

8.3. TA has attended LPB meetings at Essex and Bedfordshire FRAs [item viii], with conflicting diary engagements preventing attendance at other boards in the Eastern region. It has not been possible to engage with one of the boards. TA confirmed positive impressions of both meetings, although noted a lack of resilience at Essex FRS within the pensions team. CA was also in attendance at Beds FRS to provide training.

8.4. DL will attend a future meeting of one of the East Midlands LPBs. Details sent by email.

8.5. CA will endeavour to visit all boards [item vi]. A new scheme manager training package and factsheet is being launched to strengthen the relationship between the scheme manager and the LPB.

Action:

- ii. **CH to send an updated list of LBP engagements to the committee.**
- iii. **CA to develop RAG matrix of board engagement, with a checklist for committee members attending meetings.**

9. Future meeting dates and venues

- 18 April 2019 (18 Smith Square)

10.AOB

10.1. IH raised a matter arising from the Heywood Police and Fire (P&F) CLASS user group. Currently records for members with transitional service are held separately for each scheme (final salary and CARE), which causes difficulty for reporting purposes.

10.2. Heywood have proposed to use the available P&F development fund to produce a suite of standard reports which are compatible with both the Altair and Civica software, for frequently requested data from organisations such as TPR and the scheme actuary.

10.3. As this would need to be agreed at national level, IH sought initial opinions from the committee with a view to progressing to technical group on 12 February to obtain buy-in from administrators. DL commented that standardised reporting feeds into best practice. CA agreed that it would support consistency and effectiveness across administrators. All agreed to support in principle.

10.4. CH fed back from the LGPS governance conference on a National Confidence assessment session presented by Hymans Robertson. This was designed to measure the knowledge and understanding of elected members on Local Pension Boards, against eight topics on the [CIPFA framework](#). 250 replies were received from 50 pension funds, with results indicating strong engagement and strong level of confidence. CH asked if the committee thought a similar exercise would be of value for FPS boards. The group were unsure, and asked if slides from the session could be made available.

Action:

- iv. **CH to provide slides from Hymans Robertson confidence assessment presentation.**

10.5. CA updated the committee on the judgement from the Court of Appeal in the transitional protections case. The next stage in the process will depend on whether the Supreme Court grant the Government leave to appeal, this decision may take up to 12 weeks.

10.6. If the appeal is granted, the hearing will be listed at the Supreme Court. If leave to appeal is refused, the case will be referred back to the Employment Tribunal to consider remedy. There is no certainty in terms of timing for listing in either scenario. However, until now there has been 11-12 months between hearings.

10.7. The transitional appeals case has centred on whether the transitional provisions² of the 2015 scheme are lawful. There has been no challenge to the primary legislation, the Public Services Pensions Act 2013 [18]³, which restricts the continuing provision of the existing final salary schemes. Therefore it is only by the virtue of the transitional provisions in the 2015 scheme that some members have been protected and continue to have pension benefits calculated in the 1992 or 2006 scheme.

10.8. As the court of appeal have found the transitional protections are unlawful, the question of remedy centres on how the transitional provisions should be made lawful. It may be possible to reach a resolution on remedy through negotiation, however, all other public service pension schemes are affected by this outcome.

² <http://www.legislation.gov.uk/uksi/2014/2848/schedule/2/made>

³ <http://www.legislation.gov.uk/ukpga/2013/25/section/18>