Scheme Advisory Board Meeting Update:

3 October 2019

- TPR 2018 Survey Results
- Data

Commentary and Full Results

- Meetings
  - Fire schemes less likely to meet quarterly
- Risk
  - Still less likely to have risk management processes (although also noted to have made significant improvement!)
  - Less likely to review quarterly
- Administration
  - Most likely not to have administration as part of agenda

Commentary and Full Results

- Data
  - Noted more likely to have timely and accurate data
  - 9% of Fire had never done a data review
- Skills and Resources
  - Fire schemes reported an increase in knowledge and resources
  - Access to knowledge and skills increased from 36% in 2015 to 98% in 2018

Commentary and **Full Results**

- Breaches
  - 89% of those missing ABS deadline did not make a breach of law report
  - Of 17% breach of law identified only 2% reported as material

Local Government Association

Pensions *expert*

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LAW & REGULATION

Half of public sector pension boards meet fewer than four times a year

By Stephanie Hawthorne | July 26, 2019

On the go: Only half of public sector schemes held four or more pension board meetings in the previous 12 months, the Pensions Regulator has found.

In its recently published commentary on its 'Public service governance and administration survey 2018', the watchdog stressed that it expects scheme governing bodies to meet at least quarterly.

TPR expressed its concern that irregular meetings may be an indicator of poorly governed schemes.

"We note that fire schemes had both infrequent meetings and were the most likely cohort to postpone meetings," the report stated, adding that the regulator expects to see an improvement in this area.

Vassos Vassou, senior trustee representative at Dalriada Trustees, said the regulator is right to advise that scheme governing bodies meet quarterly, if not more often.

Trustees or pension board members who frequently attend board meetings are better placed to make timely decisions, he said.

"Those who meet less are more likely to miss important opportunities. Schemes who host irregular meetings often find that they gradually let go of the reins, which leads to schemes being run by their advisers instead," he said.

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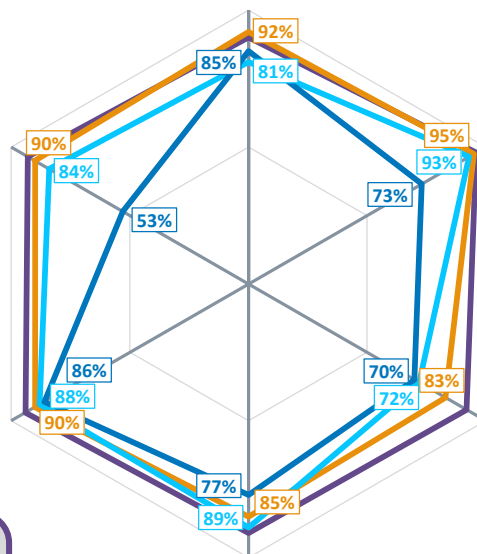
Key processes

2018
2017
2016
2015

90% have documented policy to manage board members' conflicts of interest **(-2% from 2017)**

92%
85%
81%

96% have access to knowledge, understanding & skills needed to properly run scheme **(+1% from 2017)**

95%
93%
73%

93% have procedures to identify, assess & report breaches of the law **(+3% from 2017)**

90%
84%
53%

92% have documented procedures for assessing & managing risks **(+9% from 2017)**

70%
83%
72%

94% have process for resolving contribution payment issues* **(+4% from 2017)**

86%
88%
90%

77%
89%
85%

91% have processes to monitor records for accuracy/completeness **(+6% from 2017)**

74% of schemes had <u>all</u> of these processes in place **(+16% from 2017)** These schemes covered **75%** of all memberships

* In 2015-2017 this question included "and assessing whether to report payment failures to TPR" - so not directly comparable

Base: All respondents (195)

PSPS performance has improved since 2017 for four of the key processes, and three-quarters of schemes now have <u>all</u> of them in place (63% in fire schemes)

Firefighters key notes

- **Only 63% have all 6 key processes in place, but this is still a significant improvement (41% in 2017)**
- Increases in proportion with risk register (+18%) and procedures for assessing/managing risks (+17%)
- Least likely to have cyber controls in place (85%), but 48% experienced attacks/breaches and a third of these reported a negative impact
- 78% met ABS deadline for all active members – but only 11% of those missing deadline reported it to TPR
- While 17% identified non-ABS breaches of law, only 2% reported these to TPR

Key processes by whether above/below median number of memberships for that scheme type

Proportion of schemes with...	Firefighters		Police	
	Median or below	Above median	Median or below	Above median
Documented policy to manage board members' conflicts of interest	87%	83%	91%	90%
Access to knowledge, understanding & skills needed to properly run scheme	96%	100%	87%	100%
Documented procedures for accessing and managing risks	78%	83%	91%	95%
Processes to monitor scheme records for accuracy/completeness	87%	83%	87%	90%
Process for resolving contribution payment issues	83%	87%	91%	100%
Procedures to identify, assess and report breaches of the law	87%	91%	87%	100%
Net: All these processes in place	**61%**	**65%**	**65%**	**81%**

Base: All respondents
Other: Median or below (6), Above median (5); Firefighters: Median or below (23), Above median (23);
Local Government: Median or below (46), Above median (48); Police: Median or below (23), Above median (21)

The link between key processes and size is evident for all scheme types other than firefighters

Assessing & managing risk

Proportion of schemes that…

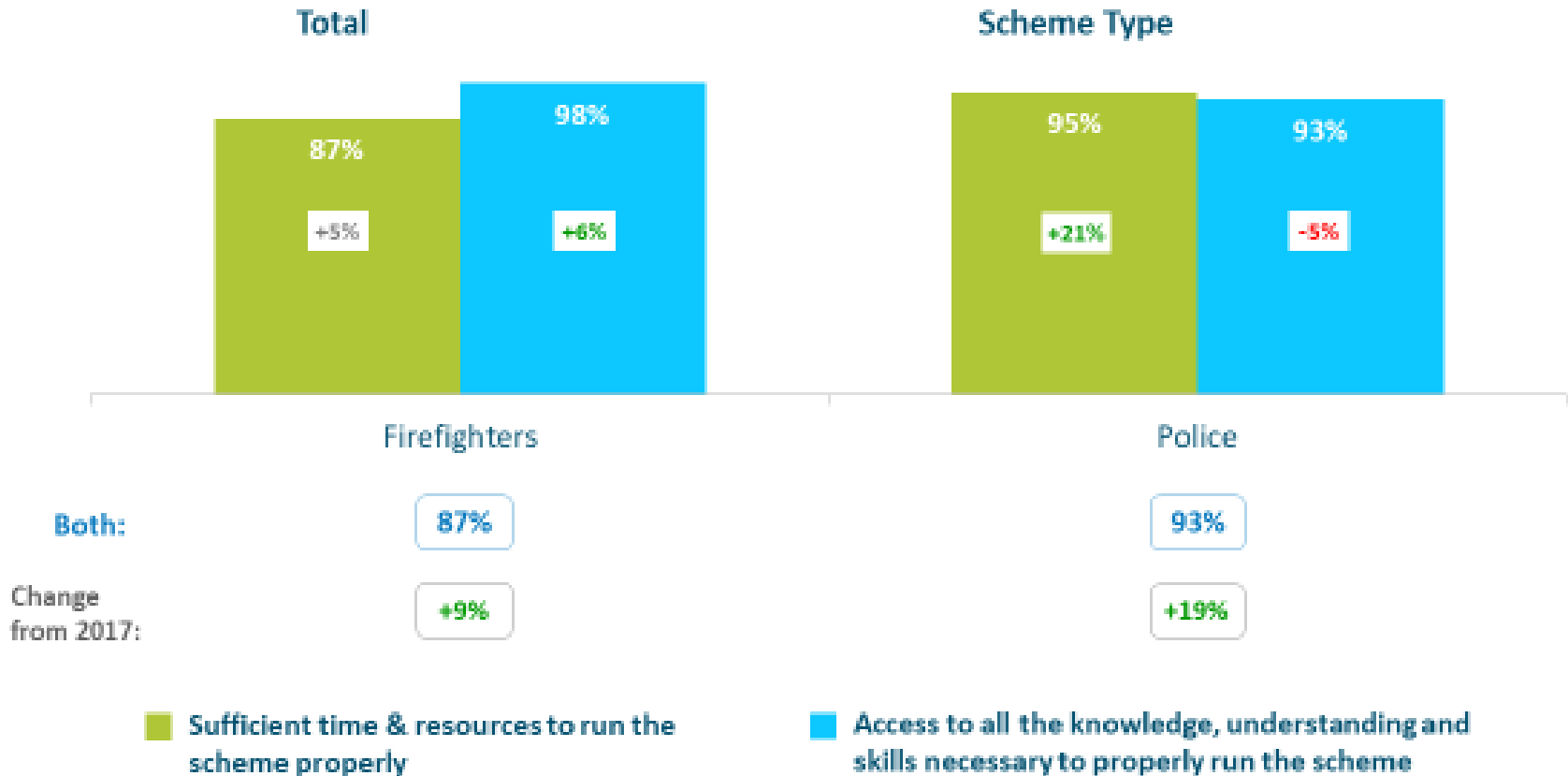|	All Schemes	Fire-fighters
Have documented procedures for assessing and managing risk	92% (+9%)	80% (+17%)
Have a risk register	94% (+6%)	87% (+18%)
Have reviewed the scheme's exposure to new and existing risks at least every quarter (in the last 12 months)	52% (+3%)	24% (-11%)

Pension board meetings in the last 12 months

		Fire-fighters	All schemes
Scheduled to take place	Mean	3.0	3.6
	4+ in last year	41%	64%
Actually took place	Mean	2.5	3.4
	4+ in last year	20%	50%
Attended by scheme manager or representative	Mean	2.3	3.1
	4+ in last year	17%	46%
% of scheduled meetings that took place (mean)		**85%**	**93%**
% of meetings taking place attended by scheme manager/representative (mean)		**89%**	**93%**

Firefighters' schemes held board meetings less regularly than other scheme types, with an average of 2.5 in the last 12 months (and only 20% had 4 or more)

Knowledge & Understanding (1)

Do the scheme manager and pension board have…?

Total

87% +5%

98% +6%

Scheme Type

95% +21%

93% -5%

Firefighters

Police

Both: 87%   93%

Change from 2017:   +9%   +19%

■ Sufficient time & resources to run the scheme properly

■ Access to all the knowledge, understanding and skills necessary to properly run the scheme
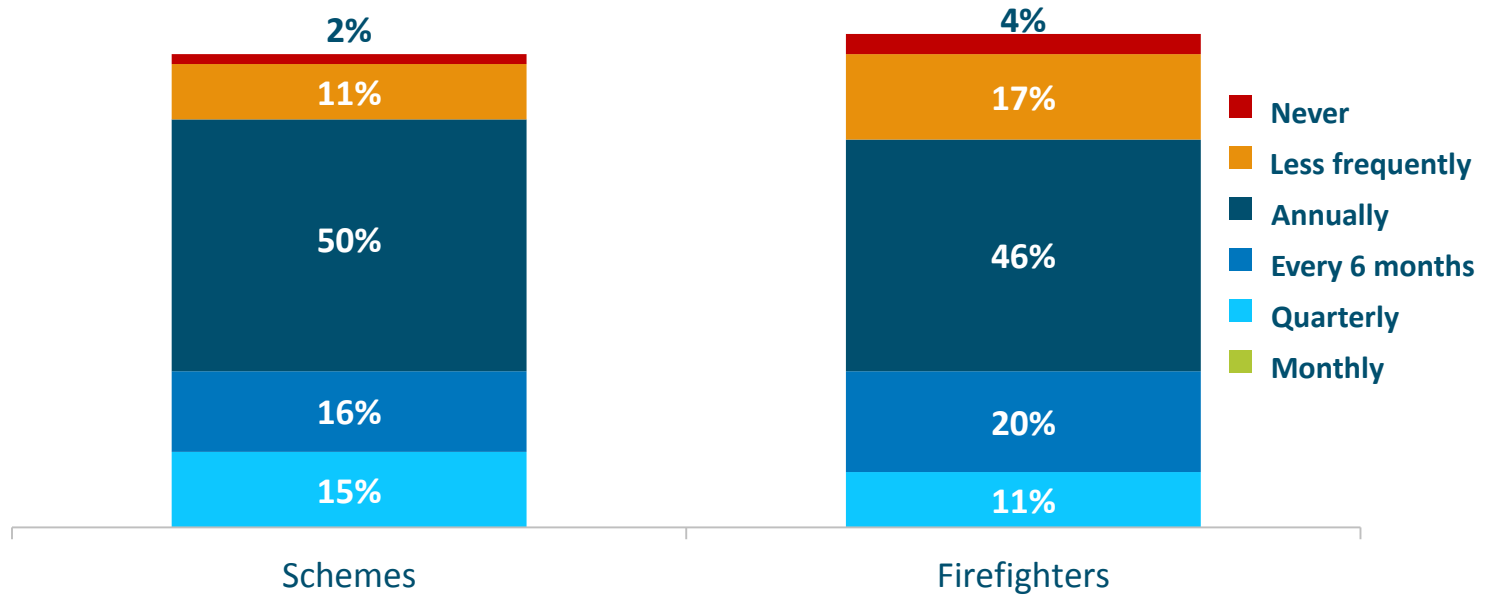
Barriers to improvement

What are the main three barriers to improving the governance and administration of your scheme over the next 12 months?

	Fire-fighters	Police
Complexity of the scheme	83%	75%
Lack of resources or time	54%	41%
Volume of changes required to comply with legislation	46%	55%
Recruitment, training & retention of staff & knowledge	37%	25%
Employer compliance	0%	2%
Issues with systems (IT, payroll, administration systems, etc)	26%	14%
Lack of knowledge, effectiveness or leadership among key personnel	4%	9%
Poor communications between key personnel	0%	2%
Other barriers	2%	5%
There are no barriers	2%	5%

Evaluating the pension board

How often does the scheme manager or pension board carry out an evaluation of the knowledge, understanding and skills of the board as a whole in relation to running the scheme?

Schemes:
- 2% Never
- 11% Less frequently
- 50% Annually
- 16% Every 6 months
- 15% Quarterly

Firefighters:
- 4% Never
- 17% Less frequently
- 46% Annually
- 20% Every 6 months
- 11% Quarterly

Legend:
- Never
- Less frequently
- Annually
- Every 6 months
- Quarterly
- Monthly

Risk Management

4.2 Managing risk

Around nine in ten schemes (92%) had documented procedures for assessing and managing risk. Every 'Other' scheme had these in place (100%), but Firefighters' schemes were least likely to do so (80%).

Figure 4.2.1 Proportion of schemes with documented procedures for assessing and managing risk

All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2%, 1%), Memberships (195, 0%, 0%), Other (11, 0%, 0%), Firefighters (46, 4%, 0%), Local Government (94, 1%, 1%), Police (44, 0%, 0%)
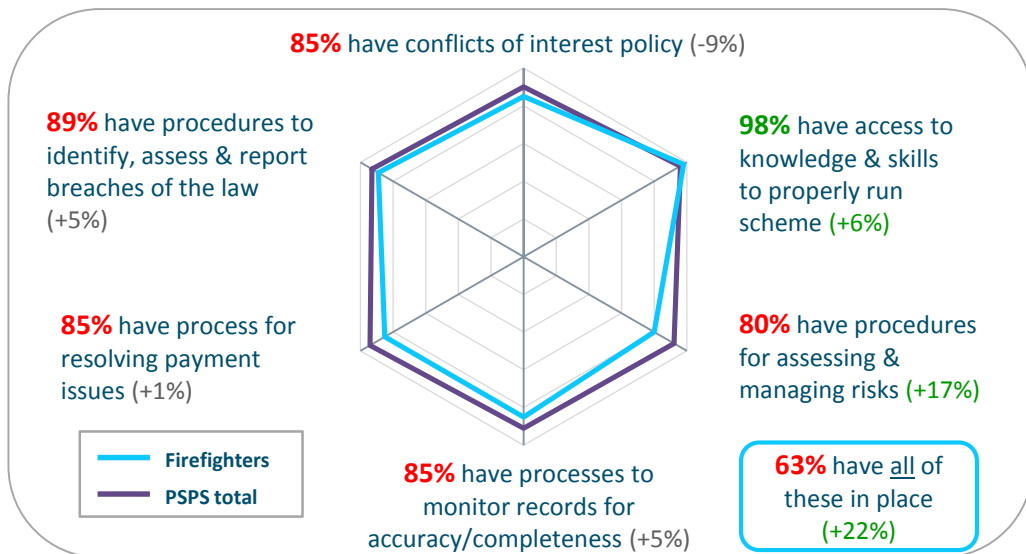
The most significant improvements since 2017 were seen in relation to Firefighters' and 'Other' schemes. However, Firefighters' schemes were still less likely to have risk management processes than the other types of public service scheme, and the proportion that had reviewed their risk exposure at least quarterly fell in 2018 (24%, down from 35% in 2017).

Table 4.2.1 Proportion of schemes with documented procedures for assessing and managing risk – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	92%	100%	80%	96%	93%
PSPS Survey 2017	83%	82%	63%	93%	84%
PSPS Survey 2016	72%	91%	44%	92%	51%
PSPS Survey 2015	70%	100%	36%	79%	82%

Firefighters schemes

85% have conflicts of interest policy (-9%)

89% have procedures to identify, assess & report breaches of the law (+5%)

98% have access to knowledge & skills to properly run scheme (+6%)

85% have process for resolving payment issues (+1%)

80% have procedures for assessing & managing risks (+17%)

Legend:
- Firefighters
- PSPS total

85% have processes to monitor records for accuracy/completeness (+5%)

63% have <u>all</u> of these in place (+22%)

Internal controls

87% of schemes have a risk register

24% reviewed exposure to new & existing risks at least quarterly

85% have any cyber risk controls

17% identified breaches of the law in last 12 months (vs. 30% overall)*

2% reported any breaches to TPR in last 12 months (vs. 11% overall)*

Excludes BoL relating to ABS

Data & record keeping

83% of schemes report that 90%+ of employers provide **timely** data

76% report that 90%+ of employers provide **accurate & complete** data

78% have completed a data review in last 12 months

73% of those reviewing common data identified issues

79% of those reviewing scheme-specific data identified issues

Scheme governance

87% believe scheme manager/board have sufficient time & resources to run scheme properly

20% had at least 4 board meetings in last 12 months

**89%** of board meetings were attended by scheme manager or their representative (mean)

Annual benefit statements

78% report that **all** active members received ABS on time

11% of those missing ABS deadline reported it to TPR

93% report that **all** ABS sent out contained all the data required

Is there an appropriate focus on data?

- Last year TPR introduced mandatory scheme specific data scores.

- Benchmark survey results showed a high return of FRAs confident in their data, yet 55% answered 'don't know' on valuation exclusions?

LGA Data Scoring Guidance **TPR Data Measuring Guidance**

Was your Fire organisation one of the authorities where some data wasn't used to set the assumptions for the 2016 valuation?

- Don't Know
- No
- Yes

25%
55%
20%
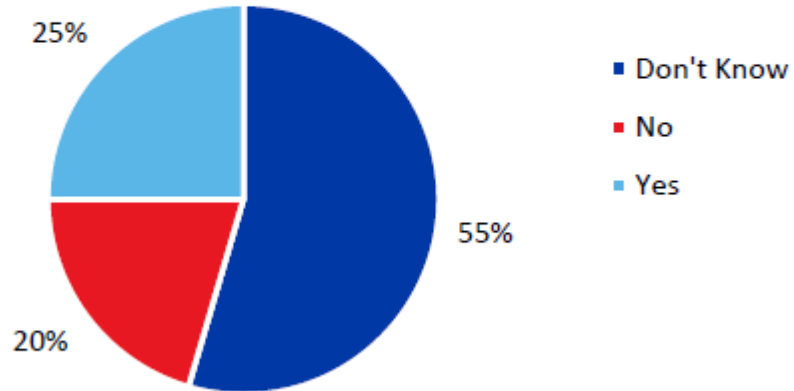
Please confirm the data scores captured for your authority for the Common and Scheme Specific Data as required for the 2018 Pensions Regulator Survey - Scheme Specific

Scheme Specific Data
Average

Fire Data Scoring – Accuracy Weighting

Data Score	85
Data as expected	0 = Processes in place 5 = No Processes in place
Process for two pension entitlement	5
Special 2006 data held on system	1
Process to identify reason for APBs	5
Consistency	
Administrator tolerance for +/- % pay change	0
Validation	
Monthly reconciliation	5
Number of returns to employer	2
Member queries after comms exercise (ie ABS)	3
Accuracy	3 %
Scaled Score	82.45