

Meeting of the Board 7<sup>th</sup> September 2016

ITEM 9

## Firefighters Pension Scheme – Assessment of Code of Practice

### Background

1. Item 4 of the minutes of the meeting 26<sup>th</sup> May 2016 included an action to investigate and provide a paper for September board meeting detailing key risk areas for consideration by the board in order to publish advice to Local Pension Boards.

### Summary

2. This paper looks at the duties of the scheme manager and pensions board under the Public Service Pensions Act 2013, and the Code of Practice 14
3. This paper provides a summary of the Code of Practice in the context of the Firefighters Pension Scheme Local Pension Boards, together with any particular challenges the Fire sector may face to comply with the code of practice.
4. During the writing of this paper it became clear that including Fire Scheme Risk and Local Risks into this paper was too resource intensive to include within this paper. This will require additional resource to undertake a full risk analysis and the board should consider commissioning this.
5. Finally this paper presents a recommendation for the Scheme Advisory Board to investigate collaborative cost saving options to provide support to Local Pension Boards, in order to ensure their efficiency and effectiveness.

### Duties under the Public Service Pensions Act 2013 (PSPA13)

6. The Public Service Pensions Act 2013 [PSPA13] [<http://www.legislation.gov.uk/ukpga/2013/25/contents>] introduced the requirement to have a 'Scheme Manager' to be responsible for managing or administering the scheme. Under the PSPA13 act, TPR Code of Practice 14 and the 2014 Firefighters Pension Scheme Regulations a number of statutory duties are the responsibility of the Scheme Manager.
7. Under the PSP13 act the scheme manager must provide for the establishment of the Local Pension Board

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8. The [governance](#) and [administration](#) requirements of the 2013 act fall to the scheme manager, and should be implemented at a local level e.g. requirements around record-keeping, or conflicts of interest, etc.

9. [Public Service Pensions Act 2013 – Governance Chapter, rules 4 to 6](#)

**4 Scheme manager**

*(1) Scheme regulations for a scheme under section 1 must provide for a person to be responsible for managing or administering—*

*(a) the scheme, and*

*(b) any statutory pension scheme that is connected with it.*

*(2) In this Act, that person is called the “scheme manager” for the scheme (or schemes).*

*(3) The scheme manager may in particular be the responsible authority.*

*(4) Subsection (1) does not apply to a scheme under section 1 which is an injury or compensation scheme.*

*(5) Scheme regulations may comply with the requirement in subsection (1)(a) or (b) by providing for different persons to be responsible for managing or administering different parts of a scheme (and references in this Act to the “scheme manager”, in such a case, are to be construed accordingly).*

*(6) For the purposes of this Act, a scheme under section 1 and another statutory pension scheme are connected if and to the extent that the schemes make provision in relation to persons of the same description.*

*(7) Scheme regulations may specify exceptions to subsection (6).*

**Pension board**

*(1) Scheme regulations for a scheme under section 1 must provide for the establishment of a board with responsibility for assisting the scheme manager (or each scheme manager) in relation to the following matters.*

*(2) Those matters are—*

*(a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;*

*(b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;*

*(c) such other matters as the scheme regulations may specify.*

*(3) In making the regulations the responsible authority must have regard to the desirability of securing the effective and efficient governance and administration of the scheme and any connected scheme.*

*(4) The regulations must include provision—*

*(a) requiring the scheme manager—*

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*(i) to be satisfied that a person to be appointed as a member of the board does not have a conflict of interest, and*

*(ii) to be satisfied from time to time that none of the members of the board has a conflict of interest;*

*(b) requiring a member of the board, or a person proposed to be appointed as a member of the board, to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of provision under paragraph (a);*

*(c) requiring the board to include employer representatives and member representatives in equal numbers.*

*(5) In subsection (4)(a) “conflict of interest”, in relation to a person, means a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).*

*(6) In subsection (4)(c)—*

*(a) “employer representatives” means persons appointed to the board for the purpose of representing employers for the scheme and any connected scheme;*

*(b) “member representatives” means persons appointed to the board for the purpose of representing members of the scheme and any connected scheme.*

*(7) Where the scheme manager of a scheme under section 1 is a committee of a local authority, the scheme regulations may provide for that committee also to be the board for the purposes of this section.*

*(8) In this Act, a board established under this section is called a “pension board”.*

*(9) This section does not apply to a scheme under section 1 which is an injury or compensation scheme.*

### **6 Pension board: information**

*(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.*

*(3) This section does not apply to a scheme under section 1 which is an injury or compensation scheme.*

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11. [Public Service Pensions Act 2013 – Administration Chapter , rules 14 to 17](#)

**14 Information about benefits**

(1) Scheme regulations must require the scheme manager for a scheme under section 1 which is a defined benefits scheme to provide benefit information statements to each person in pensionable service under the scheme in accordance with this section.

(2) A benefit information statement must include—

- (a) a description of the benefits earned by the person in respect of his or her pensionable service, and
- (b) such other information as Treasury directions may specify.

(3) The information included in a benefit information statement must comply with such requirements as Treasury directions may specify.

(4) A benefit information statement must be provided—

- (a) no later than the relevant date, and
- (b) at least once in each year ending with the anniversary of that date.

(5) The relevant date is the last day of the period of 17 months beginning with the day on which scheme regulations establishing the scheme come into force.

(6) A benefit information statement must be provided in such manner as Treasury directions may specify.

**15 Information about schemes**

(1) Treasury directions may require the scheme manager or responsible authority of a scheme under section 1 to—

- (a) publish scheme information, or
- (b) provide scheme information to the Treasury.

(2) In subsection (1), “scheme information” means information about the scheme and any statutory pension scheme that is connected with it.

(3) The information to which Treasury directions under this section may relate includes in particular—

- (a) scheme accounts;
- (b) information about any scheme funding, assets and liabilities;
- (c) information about scheme membership;
- (d) information about employer and member contributions;
- (e) information about scheme administration and governance.

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*(4) Treasury directions under this section may specify how and when information is to be published or provided.*

*(5) Treasury directions under this section may not require publication or provision of anything that the scheme manager or responsible authority could not otherwise lawfully publish or provide.*

**16 Records**

*(1) The scheme manager for a scheme under section 1 and any statutory pension scheme that is connected with it must keep such records as may be specified in regulations made by the Secretary of State.*

*(2) Regulations under this section are subject to the negative procedure.*

**17 Regulatory oversight**

*(1) Schedule 4 contains provision relating to the regulation of schemes under section 1, new public body pension schemes and connected schemes.*

*(2) The Secretary of State may by order make—*

*(a) provision consequential on Schedule 4, and*

*(b) further provision for, or in connection with, the regulation of public service pension schemes within the meaning of the Pensions Act 2004 (as amended by that Schedule).*

*(3) The provision referred to in subsection (2) includes provision made by amending any legislation (including this Act).*

*(4) An order under this section may make different provision for different purposes.*

*(5) An order under this section is subject to—*

*(a) the affirmative procedure, if it amends primary legislation, and*

*(b) the negative procedure, in any other case.*

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12. [Schedule 4 – Regulatory Oversight](#)

13. Schedule 4 provides by amendments to the Pensions Act 2004 independent oversight of Public Sector Pensions by The Pensions Regulator (TPR).

14. Relevant to this paper amendments to the Pensions Act 2004 are made as follows

i) 1 The Pensions Act 2004 is amended as follows.

ii) 14 After section 90 there is inserted—

**“90A Codes of practice: public service pension schemes**

(1) The Regulator may, in relation to public service pension schemes, issue codes of practice—

(a) containing practical guidance in relation to the exercise of functions under relevant pensions legislation, and

(b) regarding the standards of conduct and practice expected from those who exercise such functions.

(2) The Regulator must issue one or more such codes of practice relating to the following matters—

(a) the discharge of the duties imposed by sections 70 and 70A (duties to report breaches of the law and late payment of employer contributions);

(b) the obligations imposed by section 248A (requirements for knowledge and understanding: pension boards of public service pension schemes);

(c) the discharge of the duty imposed by section 249B (internal controls);

(d) the discharge of duties imposed under section 113 of the Pension Schemes Act 1993 (disclosure of information to members);

(e) the discharge of the duty imposed by section 49(9)(b) of the Pensions Act 1995 (duty of trustees or managers of occupational pension schemes to report material failures by employers to pay contributions deducted from employee's earnings timeously);

(f) the discharge of the duty imposed by section 50 of the Pensions Act 1995 (internal dispute resolution);

(g) the discharge of duties imposed by virtue of section 5(4) of the Public Service Pensions Act 2013 (pensions board: conflicts of interest and representation) and other duties relating to conflicts of interest;

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*(h) the discharge of duties imposed under section 6 (pension board: information) of that Act and other duties relating to the publication of information about governance and administration;*

*(i) the discharge of duties imposed under section 14 of that Act (information about benefits);*

*(j) the discharge of duties imposed under section 16 (records) of that Act and other duties relating to record-keeping;*

*(k) such other matters as are prescribed for the purposes of this section.*

*(3) The Regulator may from time to time revise the whole or any part of a code of practice issued under this section and issue that revised code.*

*(4) A failure on the part of any person to observe any provision of a code of practice issued under this section does not of itself render that person liable to any legal proceedings.*

*This is subject to section 13(3)(a) and (8) (power for improvement notice to direct that person complies with code of practice and civil penalties for failure to comply).*

*(5) A code of practice issued under this section is admissible in evidence in any legal proceedings (within the meaning of section 90) and, if any provision of such a code appears to the court or tribunal concerned to be relevant to any question arising in the proceedings, it must be taken into account in determining that question.*

*(6) A code of practice issued under this section may be—*

*(a) combined with a code of practice issued under section 90;*

*(b) combined with one or more other codes of practice issued under this section.*

*(7) A code of practice issued under this section may relate to all public service pension schemes or any one or more of them.*

*(8) In this section, “relevant pensions legislation” means—*

*(a) the enactments constituting “pensions legislation” within the meaning of section 90, and*

*(b) sections 5(4) (pension board: conflicts of interest and representation), 6 (pension board: information), 14 (information about benefits) and 16 (records) of the Public Service Pensions Act 2013.*

*(9) Sections 91 and 92 make provision about the procedure to be followed when a code of practice is issued or revoked under this section.”*

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iii) 19 After section 248 there is inserted—

**“248A Requirement for knowledge and understanding: pension boards of public service pension schemes**

(1) This section applies to every individual who is a member of the pension board of a public service pension scheme.

(2) An individual to whom this section applies must be conversant with—

(a) the rules of the scheme, and

(b) any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

(3) An individual to whom this section applies must have knowledge and understanding of—

(a) the law relating to pensions, and

(b) such other matters as may be prescribed.

(4) The degree of knowledge and understanding required by subsection (3) is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.”

iv) 21 After section 249A there is inserted—

**“249B Requirement for internal controls: public service pension schemes**

(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—

(a) in accordance with the scheme rules, and

(b) in accordance with the requirements of the law.

(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.

(3) In this section, “enactment” and “internal controls” have the same meanings as in section 249A.”

v) 22

**(1) Section 318 (interpretation) is amended as follows.**

(2) In subsection (1), after the definition of “occupational pension scheme” there is inserted—

““pension board” has the same meaning as in the Public Service Pensions Act 2013 (see section 5 of that Act);”.

(3) After the definition of “professional adviser” in that subsection there is inserted—



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*“public service pension scheme” means, subject to subsection (6)—*

*(a) a scheme under section 1 of the Public Service Pensions Act 2013 (new public service schemes);*

*(b) a new public body pension scheme (within the meaning of that Act);*

*(c) any statutory pension scheme which is connected with a scheme referred to in paragraph (a) or (b) (and for this purpose “statutory pension scheme” and “connected” have the meanings given in that Act);”.*

*(4) After the definition of “the Regulator” in that subsection there is inserted—*

*““scheme manager”, in relation to a public service pension scheme, has the same meaning as in the Public Service Pensions Act 2013 (see section 4 of that Act);”.*

*(5) After subsection (5) there is inserted—*

*“(6) A scheme which would otherwise fall within the definition of “public service pension scheme” in subsection (1) does not fall within that definition if—*

*(a) it is an injury or compensation scheme (within the meaning of the Public Service Pensions Act 2013), or*

*(b) it is specified in an order made by the Secretary of State after consulting the Treasury.”*

### **The Pensions Regulator**

15. Code of Practice 14 - [<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx#s16838>]

16. The Code of Practice 14 covers 9 subjects broken down with 4 subject areas

#### **Governing your Scheme**

1. Knowledge and Understanding
2. Conflicts of Interest and representation
3. Publishing information about schemes

#### **Managing risks**

4. Internal Controls

#### **Administration**

5. Scheme record-keeping
6. Maintaining contributions
7. Providing information to members

#### **Resolving disputes**

8. Internal dispute resolution
9. Reporting breaches of the law

17. The code of practice as per paragraph 12 is directed at Scheme Managers and Pension Board members.

*This code is particularly directed at scheme managers and the members of pension boards of public service pension schemes and connected schemes. Scheme managers must comply with various legal requirements relating to the governance, management and administration of public service pension schemes. Pension boards must also comply with certain legal requirements, including assisting scheme managers in relation to securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme, any requirements of the regulator and with any other matters specified in scheme regulations. The role, responsibilities and duties of pension boards will vary. Where pension boards are not directly responsible for undertaking particular activities, they remain accountable for assisting the scheme manager in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme, any requirements of the regulator and with any other matters for which they are responsible under the scheme regulations.*

18. It is important to note that Scheme Managers and Pension Boards retain accountability even if an activity has been delegated or outsourced.  
Paragraph 14

*Scheme managers and pension boards (where relevant) may be able to delegate some activities to others, or outsource them, although they will not be able to delegate their accountability for complying with a legal requirement imposed on them. This code should therefore be followed by anyone to whom activities relating to the legal requirements covered by this code have been delegated or outsourced.*

19. The term 'Scheme' is used within the code of practice to define the Locally administered scheme rather than the national' Firefighters Pension Scheme'

*Schemes – in this code the term 'schemes' is used throughout where actions to comply with a legal requirement, standard or expectation may be carried out by the scheme manager, pension board or by another person(s) including those to whom activities have been delegated or outsourced. The scheme manager or pension board will be ultimately accountable, depending upon to whom the legal obligation applies under the legislation.*

20. TPR expect each FRA to have considered the legislation and the code, assessed their own local arrangements and identified any gaps/improvements needed. TPR have been testing a self-assessment tool to help schemes with this process, which they hope to launch in late September / early October 2016.

## 21. Administration and governance survey

Published in December 2015, TPR surveyed public sector schemes regarding the implementation of governance under the statutory regulations effective from 1<sup>st</sup> April 2015.

Unfortunately the report did not reflect well on the Fire sector

*In particular, the survey suggests that fire and rescue schemes have not made as much progress in taking steps to meet the new requirements as other schemes, whether in setting up processes or taking specific action. Over the next year, we will engage with these schemes' managers, pension board members, and other stakeholders to identify barriers to progress and support them in meeting their duties.*

Summary - <http://www.thepensionsregulator.gov.uk/docs/public-service-research-summary-2015.pdf>

Report - <http://www.thepensionsregulator.gov.uk/docs/public-service-research-2015.pdf>

It will be important to ensure 'Fire's' results are significantly improved at the next survey.

## Firefighters Pension Scheme – Local Pension Boards

22. This section looks at the code of practice in the context of the Firefighters Pension Scheme

### 23. Governing your scheme

1. Knowledge and Understanding
2. Conflicts of Interest and representation
3. Publishing information about schemes

#### 1. Knowledge and Understanding

- a. This is understandably a challenge to new Local Pension Boards, the Firefighter Schemes are complex and there is a lot to learn. It is recognised this is a developing area, key to that development will be a training and learning plan for each member of the board.
- b. Training
  - TPR have developed an online learning toolkit, that all members should be aware of and complete the modules. - <https://education.thepensionsregulator.gov.uk/login/index.php>
  - In January 2016 the Eastern Region, developed a shared training session for Eastern region board members to which LGA were invited, this session included a range of industry experts.
  - In January 2016, Greater Manchester Fire hosted a shared training session for board members with Cheshire to which LGA were invited
  - LGA provided 5 regional training sessions between July and August 2015, over 70 delegates attended the sessions, with 42 of 46 authorities represented.
  - 18 boards of a potential 44 have attended an LGA training session either individually or a shared session

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## 2. Conflicts of interest and representation

- a. This is a relatively straight forward task to ensure that potential conflicts of interest are identified and managed.
- b. The code of practice and the Firefighters Pension Scheme Guidance on the creation and operation of Local Pension Boards in England both offer practical guidance for scheme managers.
- c. Each board should have a conflicts of interest policy, and should be an agenda item at each meeting.

## 3. Publishing information about schemes

- a. The Scheme Manager must publish information about the pension board and keep that information up to date.
- b. As per paragraph 98 of the code of practice, scheme managers should have a policy and process in place

*98 Scheme managers must ensure that information published about the pension board is kept up-to-date<sup>[49]</sup>. Schemes should have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete.*

- c. The Scheme Manager will be required to show they have complied with this requirement

## Recommendations

The Scheme Advisory Board should request a copy of the knowledge and understanding policy, details on training records, the conflicts of interest policy and publishing information policies from each board.

The scheme advisory board should request the URL for the board information for each board.

The scheme advisory board should consider the best way to obtain this information.

The board may wish to consider commissioning a template policy in these areas.

## 24. Managing Risks

### 4. Internal Controls

#### 4. Internal Controls

- (a) The code of practice paragraphs 101 and 102 confirm the legal requirements of the scheme manager to operate internal controls

*Legal requirements*

*101. The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.*

*102. For these purposes 'internal controls' means:*

- *arrangements and procedures to be followed in the administration and management of the scheme*
- *systems and arrangements for monitoring that administration and management, and*

- (b) In order to establish internal controls the scheme manager and Local Pension Boards must have a firm understanding of what they need to monitor

- (c) Paragraph 106 refers to risk assessment

*106. Before implementing an internal controls framework, schemes should carry out a risk assessment. They should begin by:*

- *setting the objectives of the scheme*
- *determining the various functions and activities carried out in the running of the scheme, and*
- *identifying the main risks associated with those objectives, functions and activities.*

- (d) Feedback from authorities is that this is an area that they would welcome further guidance in.

#### Recommendations

The Scheme Advisory Board look to find a shareable solution that allows authorities to save costs, whilst establishing policies and procedures.

The board should also look to establish a working group to identify risk areas.

Once the risk is identified a solution needs to be implemented to allow authorities to effectively monitor it.

## 25. Administration

5. Scheme record-keeping
6. Maintaining Contributions
7. Providing information to members

## 26. Resolving disputes

8. Internal dispute resolution
9. Reporting breaches of law

### 9. Reporting breaches of law

- (a) Hand in hand with risk assessment and monitoring is reporting breaches.
- (b) Recording, monitoring and reporting breaches is an essential part of board business. The code of practice requires certain people to report breaches of the law to the regulator.
- (c) The regulator gives guidance of what is 'material significance' they assess this under the traffic light framework and would expect a breach to be reported where either the cause, effect, reaction or wider implications is in the red.  
  
<http://www.thepensionsregulator.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf>
- (d) In order to assess the breach in line with the traffic light framework a board needs to be able to record and monitor risk.
- (e) The board should have a breaches procedure that describes how they will monitor risk and assess under the traffic light framework to decide whether to report.
- (f) Feedback from local pension boards is this is an area they would like to see collaboration in, and guidance from the Scheme Advisory Board.

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## **Eastern Region Fire Pensions Officer Group**

27. The Eastern Region Fire Pensions Officer Group are looking to collaborate on solutions for managing and monitoring risk, as well as ensuring they are compliant with the TPR Code of Practice.
28. The Eastern Region invited Dan Kanaris from AON to their meeting on 17<sup>th</sup> May, and AON have subsequently provided some collaborative options for the regional group to consider
29. At their follow up meeting on 25<sup>th</sup> August, Essex confirmed that they would be happy to act as the lead authority on a group contracting basis, if the group wished to further explore the AON offer.
30. However, before taking that step it was considered whether this should be offered out to all Fire Authorities from the Scheme Advisory Board, rather than being led regionally.
31. The AON solution offered to the Eastern group is set out below, and covers three main areas
  - TPR Compliance
  - Risk Modelling / Risk Management
  - Breaches

However it is noted that this is not an exhaustive list, and there are many other areas of governance that Fire Authorities may need to consider.

## **TPR compliance**

32. TPR expect assessment of the schemes compliance with TPR to be good practice.
33. It is expected that TPR will require this to be evidenced in future surveys
34. TPR will be releasing a self-assessment tool for schemes to use.



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AON Eastern Region proposal

35. Summary of Cost Sharing Possibilities

<b>Product</b>	<b>Cost sharing possibilities</b>	<b>Individual Authority costs</b>
Compliance model only	Reducing price per authority for the model dependant on numbers	None
Compliance model with additional support	Reduced price on standalone compliance model, with increased reductions for collaboration, dependant on numbers of authorities contracting	Time cost basis for meeting with 2 AON consultants

36. Compliance Model only

*This is a comprehensive model which sets out all of the key TPR requirements covering the sections of the Code such as reporting, knowledge and understanding, conflicts of interest and publishing of information.*

*It summarises each of the key elements (there are about 90 in total) within each section of the Code and then provides further information which we have extracted from the TPR Code so that you don't have to keep referring back to the Code. You would then enter into the model information relating to the approach your Authority takes to each of these requirements, including how this is evidenced, whether or not the Authority has completed the requirements and is compliant, and information on when each element is reviewed.*

*At the touch of a button the model then produces a PDF report and a dashboard summarising where the Fire Scheme administered by the Authority is compliant and where further work is required, which can form the basis of any report to the responsible persons at the Fire Authority and/or the Pension Board. The report also strips out all the detail relating to the TPR requirements, so it focusses purely on higher level information for reporting purposes.*

37. Compliance model plus additional support

*In addition, we would be delighted to spend time with each Authority as required with a view to completing the model for them with information relating to the approach they take to each of these requirements, including how this is evidenced, whether or not the Authority has completed the requirements and is compliant, and information on when each element is reviewed.*

*This is the approach we have taken with LGPS administering authorities and it has worked very well, allowing them to fully understand the TPR's requirements and providing an*

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*element of independence in their review, and then permitting them to carry out their own self-assessment on an ongoing basis using the populated model (we would recommend reviewing the content at least annually).*

*The cost for each meeting would simply be the cost of any time spent (plus completing the model afterwards if required) which would be charged on a time-cost basis. To give you an idea, the cost for a day meeting would be in the region of £XK before VAT (assuming two of us from Aon Hewitt attending to capture the information), and completing the model following that meeting might be another £XK before VAT. Needless to say, we would of course then pass the completed model to the Authority at the end of the initial exercise so they could then maintain it themselves if they so wished.*

## 38. Reduced costs for collaboration

*We are keen to assist Eastern Fire Authorities to carry out a review of their processes against the TPR's Code of Practice and therefore recognise the opportunity to provide this model to multiple Authorities which also creates efficiencies for us.*

## Risk Modelling / Risk Management

39. This is expected to be an area where pension boards will require assistance in identifying risk.

AON Eastern Region proposal

## 40. Summary of Cost Sharing Possibilities

<b>Product</b>	<b>Cost sharing possibilities</b>	<b>Individual Authority Costs</b>
Risk Management Template Policy	One off cost to be shared amongst authorities	
Establish risk objectives	Time cost basis for meeting with 2 AON consultants, but potential for shared meeting	Potential for further individual meetings to hone requirements. Time cost basis
Identifying and capturing risks in model	One off cost to be shared amongst authorities	
Risk register Model with additional functionality	Reducing price per authority for the model dependant on numbers	

## 41. Risk Management / Modelling

*This is an area where significantly more work might be required to adapt our LGPS approach for Fire Authorities, as it seems that much more work has been done in this area already in the LGPS, meaning that Fire has got some catching up to do (albeit I recognise the number and magnitude of risks associated with the Fire Pension Scheme should be less as there are no assets to be managed). I therefore break this down into several steps that it we recommend in order to establish robust risk management which is in line with TPR's requirements:*

## 42. Step 1 – Risk Management Policy

*Each Fire Authority should establish their individual Risk Management Policy. This should provide an overview of how risk management is carried out by the Authority, including how it is monitored.*

*We estimate the cost of us producing such a policy for you would be X. However, as above, it should be possible to produce a template policy plus a final version for one Authority which would allow each Eastern Fire Authority to then create their own customised version. This would allow a much reduced 'per Authority' price when shared amongst a number of Authorities.*

## 43. Step 2 – Establish Risk Objectives

*We recommend that each Fire Authority should first to establish their own objectives in relation to their management of the Fire Pension Scheme. This would then allow them to consider the possible challenges which may prevent them meeting those objectives (and likelihood of these occurring), plus the possible impact should these objectives not be met i.e. the information which should be captured in the risk register as part of step 3.*

*Although there may be some commonality in determining objectives, we think that each Authority should really be considering this separately to determine what is best for them (and some Authorities, such as Essex, may already be some way down the line on this too). We would therefore suggest that arranging individual meetings to discuss this might be the best way forward, and we estimate that the cost of a day meeting to discuss this might be in the region of £XK.*

*However, given there would surely be a reasonable degree of commonality, it may be possible to hold a 'shared' meeting between authorities to determine any common ground, which could then allow each authority to customise the objectives to their specific needs or views. We could assist in this customisation if required by having individual meetings / teleconferences to determine the specifics for each authority (these being charged at time cost).*

## 44. Step 3 – Identifying Risk and providing risk management model.

*Once the objectives / policy have been finalised, a specific risk register can be developed for each Fire Authority (although in practice work could commence on this before everything is completely finalised) which would be similar to the model we demonstrated to you at the meeting.*

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*We estimate that the cost of capturing the risks in a basic risk register for each Authority, based on some initial discussions which could be carried out via a telephone conference, would be around £xK for the initial draft, but again we would expect some commonality and so could work with one Authority to create the 'template' populated risk register which could then be shared with the other Eastern Fire Authorities. This would be in a basic risk register setting out the key risks, to which objective(s) they relate, the internal controls in place and the scores (likelihood and impact).*

*As demonstrated, we can also provide the risk register in a model with additional functionality which enables you to track the movement in risks over time and automatically produces a summary report showing any new risks, risks which have been removed and changes in the perceived severity or likelihood of any existing risks.*

*Tailoring our model including this functionality to Fire Authorities would cost an additional £xK for each Authority wishing to use this additional functionality version, i.e. over and above the cost of developing the content mentioned above. However, once again there would be reduced prices for collaboration.*

## **Breaches**

45. Recording, monitoring and reporting breaches is an essential part of board business. The code of practice requires certain people to report breaches of the law to the regulator.

However, in order to report a breach of law, first the board would need to be aware that a breach had occurred, and to assess whether it would be of material significance to the regulator.

It is likely that a situation may occur that is not of material significance to the regulator but becomes so.

46. It is therefore essential to comply with the law that the board has a framework to record and monitor potential breaches.

Firefighters Pension Scheme (England)  
Scheme Advisory Board

AON Eastern Region proposal

47. Summary of Cost Sharing Possibilities

Product	Cost sharing possibilities	Individual Authority Costs
Breaches Procedure	One off cost to be shared amongst authorities	
Breaches monitoring model	Reducing price per authority for the model dependant on numbers	

48. Breaches Procedure / Monitoring

*This is an area where the approach for LGPS Authorities can largely be applied to Fire Authorities without too many significant amendments. I think the first step is that Fire Authorities need to put in place a breaches procedure, and we can produce one which should be suitable for all Eastern Fire Authorities (with minimal tailoring required) for around £XK before VAT (and we'd be happy for you to spread this cost across all Eastern Authorities who wanted it).*

*Once each authority has a procedure in place, it might be worth considering how best to monitor and report any breaches occurring (in line with the spreadsheet I briefly showed you). This might be something that can wait a little longer (given the long list of areas needing improvement), but we again could produce a breaches monitoring model for Fire with a view to sharing development costs across Authorities.*

**Board Decision**

The Scheme Advisory Board are asked to consider whether they wish to request AON to provide a proposal to allow authorities to assess and monitor risk that could be shared with all Fire Authorities.

Board Secretary  
7<sup>th</sup> September 2016