



ACTIONS AND AGREEMENTS

Friday 9 March 2018

18 Smith Square, Westminster, London SW1P 3HZ

PRESENT

Malcolm Eastwood	Chair
Cllr John Bell	Scheme Employer Representative (LGA)
Cllr John Fuller	Scheme Employer Representative (LGA)
Cllr Roger Price	Scheme Employer Representative (LGA)
Dave Limer	Scheme Member Representative (FBU)
Francis Bishop	Scheme Member Representative (FBU)
Glyn Morgan	Scheme Member Representative (FOA)
Tristan Ashby	Scheme Member Representative (RFU)
Des Prichard	Scheme Member Representative (LFA)
Helen Scargill	Technical Adviser

Annemarie Allen Barnett Waddingham (Presenter)

Clair Alcock	LGA – Board secretariat
Claire Hey	LGA – Board secretariat
Anthony Mooney	Home Office Observer

1. Apologies

- 1.1 Apologies were received from Cllr Ian Stephens, Cllr Roger Phillips, Fiona Twycross AM, Sean Starbuck and Sam Rye. Unfortunately this meant that the meeting was not quorate and no decisions could be formally agreed.
- 1.2 Malcolm Eastwood (ME) encouraged attendance at meetings and noted that the number of apologies and lateness of notice received in some cases was disappointing.

2. Changes to membership

- 2.1 A replacement is needed for Cllr Thomas Wright, the labour group are to make a nomination.

3. Conflicts of Interest

- 3.1 None recorded.

Scheme Advisory Board Secretariat

18 Smith Square, Westminster, London SW1P 3HZ T 020 7664 3189/ 020 7664 3205 E bluelight.pensions@local.gov.uk

4. Chair's Update

4.1 ME informed the group of events attended in his capacity as chair of the Scheme Advisory Board (SAB) since the last meeting:

- Dorset & Wiltshire LPB Training
- Tax awareness sessions
- SAB induction training session
- Committee meetings
 - Cost effectiveness
 - Local Pension Board effectiveness
 - Admin and Benchmarking
- KPMG – pensions dinner
- Eastern region board training
- DWP pension dashboard stakeholder event – concerns have been taken into account re DB schemes.
- Meeting with Chief Executive of LPP
- PMI event – promoted positive relationship with GAD.
- Home Office visit to Hampshire Fire and Police – Anthony Mooney (AM) confirmed this was a useful meeting for the HO team. Police and Fire colleagues are working together to share resources and pension administration.

4.2 ME's next engagement is the ITM/ Pension Age data event running on 16 March, at which Clair Alcock (CA) is speaking.

5. Actions arising from previous meeting

5.1 Members agreed that they are happy for meeting minutes to be added to the FPS board website as soon as completed, with draft watermark until actions and agreements are approved at the subsequent meeting.

5.2 CA highlighted the half day data event being held on 29 March 2018 at 18 Smith Square to work with FRAs on general data improvement and scheme specific data. SAB members are welcome to attend, a promotional code is available to book complimentary places.

5.3 CA confirmed that an article will be included in a forthcoming bulletin to promote the use of on-line technology such as Member Self Service, which the SAB have agreed to champion.

5.4 CA confirmed that an invitation to bid has been issued for legal advice with a deadline of 29 March 2018. Four firms have been approached and an article has been added to a new [invitation to bid](#) page of the FPS board website which welcomes other applications.

5.5 There were no matters arising.

6. FPS regulations and guidance website demonstration

6.1 Claire Hey (CH) gave a demonstration of the [FPS Regulations and Guidance](#) website. Positive feedback from stakeholders was noted.

6.2 The following comments/ suggestions were made and will be actioned where possible:

- On the FPC circulars page, note that the FPC is no longer active and caveat that any guidance is informal (AM).
- Add the LGA disclaimer as a footer to each page (Tristan Ashby (TA)).
- Add the NJC pay award circulars as an administration resource (Helen Scargill (HS)).

7. LPB survey update

7.1 The contents of Paper 1 (LPB survey update) and the survey research report issued prior to the meeting were noted by the Board. CH gave a brief verbal update on the main findings from the survey and asked the SAB to agree the recommendations.

7.2 Members discussed the survey outcomes and the following points were raised:

7.3 HS felt that the 73% response rate could have been better, though on the whole the group felt that this was a very positive return.

7.4 Cllr John Bell (JB) stated that it would be difficult to recommend a term of office for LPB employer representative members as elected members' tenure is governed by council elections.

7.5 Cllr John Fuller (JF) commented that annual reports should include summary data of scheme membership.

7.6 Des Prichard (DP) asked how the profile of local boards and the risks associated with the FPS can be raised within FRAs, as comments received indicate that the same importance is not attached as to LGPS boards which deal with investments.

7.7 AM responded that notional funding is not seen as a major priority to FRAs. Prior to 2006 pension costs came out of the operating account, but since the introduction of the notional fund, Authorities no longer see the full cost coming out of their budgets.

7.8 The Board agreed that the research report could be distributed to stakeholders.

8. Sub-committees update

Cost-effectiveness committee

- 8.1 The cost-effectiveness committee met on 17 January 2018. JF as chair of that group gave a brief update on items discussed, the main points arising being the organisational complexity of 44 cohorts existing within 7 different governance structures, the cost cap, administration costs, and risk. Full [minutes](#) are available.
- 8.2 Glyn Morgan (GM) commented that there is cross over with topics discussed at the other sub-committees. ME agreed that synergy is important.
- 8.3 The draft data report on the 2016 valuation assumptions was received from GAD on 21 February 2018 and the Board Secretariat with agreement from the responsible budget holders commissioned an exploratory report from First Actuarial. Both documents had been made available to the group shortly in advance of the meeting for comment and discussion.
- 8.4 CA confirmed that the cost group would be used to further investigate the reports, and report back to the full SAB at the next meeting on 20 June 2018.
- 8.5 Sean Starbuck (SS) who was unable to attend the meeting had passed his comments to Dave Limer (DL) to raise. DL thanked the secretariat for getting the papers out as quickly as possible, but this did not allow time for full consideration. DL asked what the deadline for responses was, in light of this.
- 8.6 CA confirmed that there is no deadline given for responding to the report, as it was provided primarily for information. However, there are some decisions to make with the potential to affect future valuations.
- 8.7 DL highlighted the need to interrogate any underlying trends, causes and issues, such as the increasing number of deferred members and poor quality of data. DL asked whether a breakdown of deferred membership was available which would show the percentage of optant outs.
- 8.8 AM outlined the difficulties in collecting deferred member data, which can fall into three different categories: optant outs, withdrawals, and optant-in and –outs. This makes the data particularly volatile. AM confirmed that the Home Office collect and publish opt out data.
- 8.9 HS was able to offer feedback on this issue from a practitioner perspective. There has been some uncertainty at FRAs regarding linking records, therefore an Authority may hold multiple deferred records which should more correctly be held as one continuous active record, where there has been for example a change of post or temporary transfer. Deferred data could be skewed on this basis. The data is only snapshot at the valuation date, so may not reflect a truly accurate position.

- 8.10 DP commented that the report provides factual data only and GAD have no responsibility to provide further analysis. GM furthered this point by stating that the SAB are not in position to challenge data as presented to the Board by GAD, but trends can and should be investigated. GM also highlighted that the Board don't know how data issues translate into scheme costs.
- 8.11 DL returned that the intention is not to challenge the data, but rather establish future trends for the schemes. It is preferable to raise issues now. ME added that this would stand the Board is good stead for the next valuation.
- 8.12 JF commented that this is the first valuation since the introduction of the new scheme and there are three years before the next one in which to consider any actions the SAB can take. JF highlighted a recent news article <https://news.sky.com/story/firefighters-warned-of-greater-cancer-risk-due-to-kits-not-being-cleaned-11267134> and asked whether this could be recorded for the next triennial as a local factor with the potential to affect actuarial assumptions.
- 8.13 TA stated that the data is changing due to the changing nature of the workforce, and queried which bodies are being notified that the Board have raised questions during the valuation process, in order to evidence that the SAB is fulfilling its duties.
- 8.14 ME noted that the Board's work is well publicised via the meeting minutes and website content. CA confirmed that a summary note will be issued on behalf of the SAB following the valuation, to include lessons learned and goals for the next valuation. CA proposed for the Board to tender for a permanent actuarial adviser – raised under AOB (paragraph 16.1).
- 8.15 GM agreed that this would be helpful, particularly where last minute consultation is required.

LPB-effectiveness committee

- 8.16 The LPB-effectiveness committee met on 31 January 2018. TA as chair of that group confirmed that the meeting had covered the discussion items on agenda. The minutes are available [here](#). TA thanked CA, CH, and the committee for their work on the LPB survey.
- 8.17 TA considered that the 73% response rate is credible and will help with future engagement. A number of concerns have been identified, but now the problems are known, the committee can start to address them. The committee's role over the next 12 months is to highlight and share good practice and the work plan was agreed. The next meeting will be held in April, date to be confirmed.
- 8.18 CA confirmed that the Pensions Regulator (TPR) will be invited to the next committee meeting and the next SAB meeting in June, to discuss the results of the annual Governance and Administration survey. CA highlighted from these results that an increase of 33% of FRAs with a risk register is a direct result of the work of the sub-groups, SAB and LGA events/ communications.

8.19 DP asked if there is any pattern of the same FRAs not responding to surveys, attending events, or otherwise engaging with the SAB/ LGA.

8.20 CA responded that there is no obvious pattern at present, though it is being monitored by the LGA team. FRAs with proactive administration tend to be more likely to attend events, but as they rely heavily on their administration service, scheme manager responsibility is not well covered and statutory instructions can be missed.

Administration and benchmarking committee

8.21 The administration and benchmarking committee met on 7 February 2018. DP as chair of that group gave a brief update on the main focus for the coming year – scheme specific data for the TPR annual return and minimum standards for administration, while encouraging FRAs to be more proactive. Full [minutes](#) are available. The risk register was discussed; the biggest risk to this group is considered to be data.

8.22 DL noted concern over data excluded from the draft GAD report and highlighted the difficulty for administrators in getting correct data extracted. DL requested that the item score is increased on the risk register to red.

8.23 DP restated the potential overlap in work streams for the three sub-committees and stressed the need to ensure the groups are complementing, not duplicating, each other's work. The committee work plan was detailed and meetings are to be held quarterly, with a separate work party to be convened to work on the scheme specific data requirements.

ACTION:

Board secretariat to contact D&S and H&W, WYPF regarding SLAs and invitations to tender.

9. Risk register

9.1 A draft risk register (Paper 2) was distributed with the meeting papers in advance of the meeting including all potential risks to the SAB identified by the sub-groups. Comments and discussion were invited from the floor with the aim of agreeing the risks and scoring methodology, which takes account of mitigation.

9.2 DP commented that in his experience risk is categorised as moderate, severe, significant, or catastrophic. From a governance perspective a score of 100 for pensionable pay does not look favourable, as it could no longer be addressed at Board level and would have to be referred to the Secretary of State. The scoring needs to take account of those FRAs that are applying the principles correctly/ consistently. DP suggested keeping the risk in red but moderating the score, and asked if the register scores had not been pre-populated, who within the group would have scored as 10 likelihood and 10 impact. DP added that a descriptor for number scores would be

helpful and suggested an amendment to the RAG rating: <25 green, 64> red.

- 9.3 GM agreed that a risk score of 100 would be damaging to the scheme, and added that any descriptor should also include potential impact on scheme. Francis Bishop (FB) countered that both the likelihood and impact are 10 and that the score should not be adjusted because it feels uncomfortable. The only power the SAB has is to issue guidance, so this is all that can be done. Cllr Roger Price (RP) noted that there is no leeway if initial score is set at 100.
- 9.4 DL asked if the pensionable pay risk is reduced, what the basis for this would be. CA agreed that evidence is needed for scores allocated and this should be reflected in the final agreed register.
- 9.5 CA proposed that as data has a direct impact on member outcomes, this item risk should be increased to the red category (8x8 score) with the aim of reducing into amber through the Board's workplan. There was agreement within the group that there is clear evidence of poor data.
- 9.6 HS noted that as there is likely to be variance in standards within administrators/ FRAs it would be hard to score across the board. FB agreed that red would be the appropriate category and suggested the addition of a further column to the register for mitigation.
- 9.7 RP queried the inclusion of LPBs on the SAB register, as local boards should have their own risks and register. CA and ME clarified that it is the SAB's responsibility to guide LPBs and this could constitute a failure of the Board if local boards are not carrying out their duties.
- 9.8 JF suggest that single points of failure should be added to the register. CA highlighted that this is included under 'knowledge' and split into two sections, though a further section could be added – at administrator level. CA added that the score for this risk would be greater if the SAB/ LGA team had not already started mitigating through web and communications resources.
- 9.9 CA suggested that legislative challenge be moved into the amber category due to the difficulty in obtaining new legislation. The Board should consider how guidance can provided to FRAs in the absence of regulations.
- 9.10 CA proposed at this point that the register be distributed to the Board as a spreadsheet for scoring and comment, as considering each item in turn was proving to be time-consuming. The agreed register will be reviewed at each meeting via a standing agenda item, with a detailed review taking place annually.
- 9.11 DP suggested the following additional items for the register: breach of cost cap; third party challenges. TA remarked that breaching the cost cap would be an impact of the existing risks, and noted that the NHS risk register uses a definition for each colour, rather than numerical scoring.

10. Budget paper

10.1 CA introduced the draft budget (Paper 3) which was distributed prior to the meeting to demonstrate current budget spend and plan the future budget. Details of the levy are included with payment still awaited from 4 FRAs. RP queried what happens if the levy is not paid. CA confirmed that it can roll over into the next budget year.

10.2 CA highlighted the tax awareness sessions delivered at around £75 per head, to a combined police and fire audience and noted that TPR have been very vocal on the value of the Fire SAB. CA sought agreement on the reserve.

10.3 JB commented that as the Board and budget are still in the early days, the carry forward should be retained as contingency.

10.4 JF asked when the role of Chair is up for renewal and suggested that this should be a remunerated post in the future due to the level of work and commitment involved, payable by allowance rather than salary. JF quoted comparative figures and suggested that an executive chair may be required. Recruitment and retention of the right person is essential.

10.5 ME noted that the figures quoted were for elected members, but would need to take into account payment for NEDs/ independent chairs. The role requires approximately 2-3 days per week and may get more interest if advertised as a paid post.

10.6 DP expressed surprise that the post is unpaid and queried if there is anything that can be done now before the current chair is replaced, to take forward to the Home Secretary.

10.7 GM asked how much time chairs of equivalent boards are committing to the role, as the Board need to know how much work is involved. CA confirmed that even paid chairs do not commit as much time as ME, but those boards may not be as well governed. The level of impact of the SAB was not known at the outset. CA agreed that this issue needs to be considered in detail for next year's budget and confirmed that the proposed analyst post has been disregarded.

10.8 CA asked the Board to note that proposed increase of just under £1 per member in next year's levy at £6.79 per head. This would rise to £7.38 if the paid chair post was included as an additional cost.

10.9 JF proposed the provision of £20,000 including on-costs and suggested the chairs of the sub-committees meet to discuss and research comparative posts, with the recruitment process to commence within the next financial year.

10.10 DP supported the suggestion of a benchmarking meeting with committee chairs and the Board secretariat. DP agreed that money be allocated within the budget using part of the carry forward if necessary, as a professional board should have a paid chair.

- 10.11 AM raised whether recruitment and retention of the chair post should be reflected in the risk register.
- 10.12 TA commented that the increase in levy can be justified in terms of the communications and events provided to support FRAs/ LPBs, particularly the new administration and regulations website.
- 10.13 RP suggested that representation could be made to central government for funding for the chair post, as the role of the Board is to provide advice and guidance to the Secretary of State. This is to be added to the recommendations.

11. Feedback from tax awareness seminars

- 11.1 Annemarie Allen (AA) from Barnett Waddingham (BW) attended the meeting to provide feedback on the series of tax awareness seminars held between October 2017 and January 2018 which were procured through the SAB budget in conjunction with NPCC.
- 11.2 Background – seven Fire specific sessions were held nationally in BW offices; six for Police. This offered economy of scale and the final cost of attendance at the event was £75 per head for Fire and £79 for police. Careful thought was given to timings, running events on consecutive dates, and keeping to a half day session to reduce catering and accommodation costs. This will be adopted as a model for future training events.
- 11.3 Aim – the sessions were developed in response to a SAB challenge, to promote greater understanding among members making retirement and promotion decisions, to determine whether FRAs are compliant, and to encourage education of the workforce.
- 11.4 How did it go – there was a general level of awareness in the mechanics of pensions tax, which is a complex area. The audiences were of mixed levels of knowledge and there was good, open engagement by fire audience: of the three hour sessions, around one hour was discussion and networking. The sessions were aimed at scheme managers and decision makers, but were also attended by administrators, systems administrators and the Home Office. There were some very positive outcomes and even the most experienced delegates found them beneficial. Stakeholders were given cross-industry appreciation and feedback from attendees was good.
- 11.5 Follow up – further to the sessions, individuals have been contacting BW to check their understanding. There have been requests for additional workshops for those new to administration and on the mechanics of pension taxation, plus a more detailed workshop on specific issues for more experienced administration staff. Authorities are now also thinking about long term changes around future planning, flexibility, and workforce retention; plus potential provisions for tax management, for example remaining in the scheme with no further accrual, salary cap, 50/50 (LGPS only), while being aware of the legislative embargo. The LGA could consider following up with delegates to find out what action they have taken.

11.6 HS commented that changes can be made outside of legislation to ease tax burdens, flexibility within the incremental pay scales such as not using competent 'A' scales could be exercised to manage AA breaches.

11.7 Lessons learned – the model provided a good way of providing cheap training, and feedback on venues was useful.

11.8 DL thanked AA, having attended a session and found it very interesting. DL queried whether there were any common questions/ themes. AA confirmed the main queries were around the provision of administrator training sessions and the tight timescales for Mandatory and Voluntary Scheme Pays (MSP and VSP). Awareness of boards was raised in this area.

11.9 DP commented that more individuals are now falling liable to AA charges that weren't expecting to be, and changes to schemes at a strategic level could be investigated. JF considered whether there were options for members which would assist in managing the cost cap.

11.10 CA summarised the recommended actions arising from the sessions. There is a clear demand for administrator sessions, the secretariat to investigate procurement options and whether this should be a chargeable event or funded through the levy. While individual taxation is a member responsibility, literature could be commissioned for FRAs to send with pension saving statements to improve member knowledge, with posters advertising the deadlines for MSP/ VSP. CA considered whether FRAs should be providing individuals with access to specialist advice. There may be scope for a future options paper/ business case to the Home Office to help individual to manage their tax liabilities.

11.11 GM supported the procurement of administrator training from the SAB budget in principle and suggested a brainstorming session take place. HS added that it would also be useful to have a promotional consideration leaflet for members. RP advocated a poster on the notice board at each fire station highlighting pension issues.

ACTION:

Include follow up article in future bulletin with 'next steps - what are you doing?'

12. Workplan for 2018

12.1 During the discussion that took place at the SAB meeting on 1 December 2017, JF commented that the next meeting of the SAB should include a strategic review of administration and management of the pension scheme in order for the SAB to make specific recommendations, and inform their work plan.

12.2 The three sub-groups considered this challenge at their individual meetings and the following items were agreed (Paper 4):

- For the SAB to consider the recommendations in the LPB survey report.

- For the SAB to consider mitigations to identified risk
- To provide an options paper to SAB on future administration of the scheme
- For the SAB to consider including in the budget, further resource to provide additional support to board secretariat in the form of an analyst post.
- Benchmark review of administration costs
- For the SAB to lead scheme specific data review

12.3 In consideration of the above the Board were also presented with:

- A paper summarising the current position of pension boards including recommendations (Item 7, Paper 1)
- A paper to consider risk that the SAB should monitor (Item 9, Paper 2)
- The opportunity to consider next actions with regards to ensuring individuals are aware of tax implications
- A proposed budget for the 2018/2019 scheme year (Item 10, Paper 3)

12.4 Comments were invited on the workplan. CA confirmed that the administration cost and benchmarking should be undertaken prior to review of scheme administration options. ME remarked that the plan needs to be achievable.

12.5 DL proposed that as the Cost group is looking at valuation, the LPB group could look at data issues. CA noted the intention for the Administration and benchmarking group to lead on scheme specific data and that items will tend to flow from group to group.

13. Technical group update

13.1 No update as technical meeting of 28 February postponed.

14. Update on actions summary/ items delivered

1. Items highlighted in yellow indicate completed actions since the last meeting:
 - Board policies to be drafted – timetabled for next year
 - To note that past service costs on pensionable pay remains a risk
 - Board to ensure LPBs are aware of their duties and provide central guidance – Ongoing, Clair provides board training, SAB website includes LPB resources page
 - Survey FRAs on impact of pensionable pay – Timetable to review by March meeting (Legal advisors bid paper has been issued)
 - Draft guidance note to boards to ensure they satisfy themselves that pensionable pay is correct in light of Norman V Cheshire – to be completed once legal adviser is on board

- To issue bulletin on PPA – to be done using comms style guide. Issued 26 February 2018.
- Risk strategy
 - LPBS – provided some guidance, working with Essex
 - Board – completed – see Paper 3.
- Tax awareness sessions – completed
- Awaiting SoS to appoint new members – completed
- Voluntary Scheme Pays – completed
 - Home Office (no legislation expected)
 - LGA issued VSP guidance in bulletin 4
- SAB to lead on data improvement – In progress - data conference, working with admin and bench marking committee
- SAB to work with sub committees to develop standard list
- SAB to champion use of on line technology – article for future bulletin
- SAB to undertake strategic review (Paper 4)
- Draft budget to be prepared (Paper 3)
- October meeting date to be consulted – 4 October 2018
- Board to invite Annemarie Allen to provide feedback

15. Future meeting dates and venues

Scheme Advisory Board Meetings

All meetings to be held at 18 Smith Square 10.30am until 3.30pm. Details are held on the member area of the SAB website.

Wednesday 20 June 2018

Thursday 4 October 2018

Wednesday 5 December 2018

AGM –17th & 18th September (amended)

16. AOB

16.1 Actuarial adviser to the board [[Item 7 – Minutes 25.09.2017](#)]

The board agreed not to appoint a permanent actuarial adviser to the board, and tender ad-hoc for business when needed, but might the board re-consider to tender for an actuarial adviser under the following terms

The successful firm will be required to:

- Attend the board [when required, likely to be a maximum of twice a year] read, prepare, attend and give advice on key matters that arise
- On occasion provide or give input into a report to the board on actuarial implications
- Provide actuarial legal advice to the board

- It will not include providing actuarial advice on complex matters which would be subject to separate procurement.

*Complex matters would be matters priced at over £3k

An example of the invitation to bid for legal advisers -

<http://www.fpsboard.org/images/PDF/Consultations/Legalbid.pdf>

16.2 Ombudsman determination on pensionable pay (email of 6 March 2018)

Looking for agreement to following

- The board instruct legal advisers and secretariat to work jointly on providing guidance to Fire Authorities, albeit it will be prudent to wait until we also have the second ombudsman determination so the two can be considered together. The secretariat has now started the [process](#) of recruiting a legal adviser to the board, and the firm should be in place by mid-April in order to assist.
- An article in the next [bulletin](#) to immediately publicise this case to Fire Authorities

“I am writing to inform you of a recent decision by the pensions ombudsman with regards to pensionable pay for a retained firefighter with various allowances. - <https://www.pensions-ombudsman.org.uk/wp-content/uploads/PO-15584.pdf>

The ombudsman has upheld the complaint and determined that the authority should treat the disturbance, work activity and training attendance payments as pensionable pay (see paragraph 65 for the full direction).

This determination will now have an impact on other Fire Authorities who may have made similar decisions, however as per the ombudsman comments in para 64, which states that this is not a class action case, the ombudsman does not have the power to bind others. I can therefore confirm that the Scheme Advisory Board have taken an action to provide guidance on this case and will work with their legal advisers to provide as soon as possible – An update on a timetable for this work will be provided at the end of April.”

16.3 JF requested an agenda item for the next meeting to discuss quorum, as SAB quorum is set higher than any other committee JF sits on.

16.4 FB raised a query regarding eligibility for FPS for second-tier entry. CA confirmed that legal advice can be obtained once an adviser has been appointed, in the meantime it is important to establish the basis for decisions. While guidance has previously been issued on eligibility, AM highlighted that a limitation of guidance is that it is reliant on one person’s opinion.