FIREFIGHTERS PENSION SCHEMES

The Pensions Regulator

TPR focus 2017/18

- Ongoing risk assessment and intelligence gathering
  - Governance & Administration survey – 98% response rate covering 99% of combined membership of fire & rescue schemes.
- Increasing focus on locally-administered schemes
- Survey confirms our key focus areas:
  - Governance
  - Record-keeping
  - Internal controls
  - Member communications

We will use our educate/enable/enforce regulatory approach to help schemes comply and address key risks
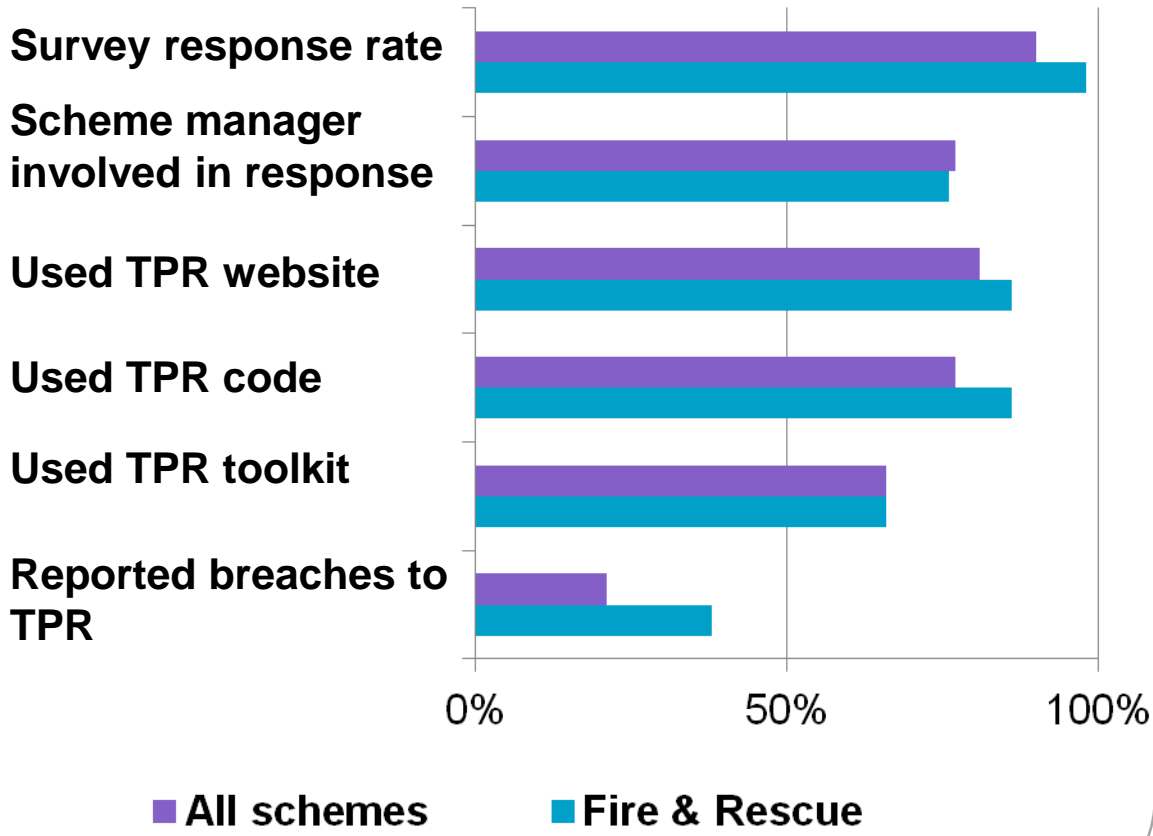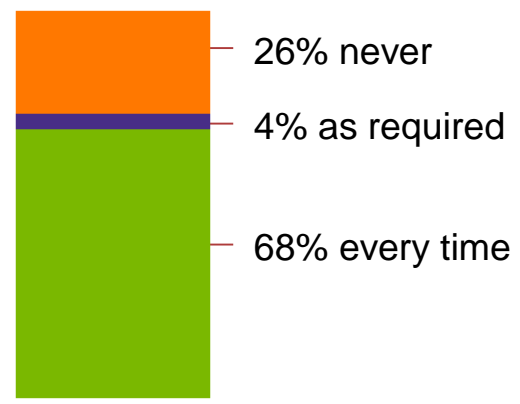
The Pensions Regulator

GOVERNANCE

Firefighters Pension Scheme governance – survey findings

Scheme managers and pension boards engaging

	All schemes	Fire & Rescue

Survey response rate

Scheme manager involved in response

Used TPR website

Used TPR code

Used TPR toolkit

Reported breaches to TPR

0%   50%   100%

■ All schemes   ■ Fire & Rescue

But 26% of scheme managers never attend board meetings

26% never

4% as required

68% every time

24% of surveys completed without scheme manager engagement

48% of surveys completed without pension board engagement

¼ of boards have no regular contact with scheme manager. But FPS more likely than average to be engaging with TPR

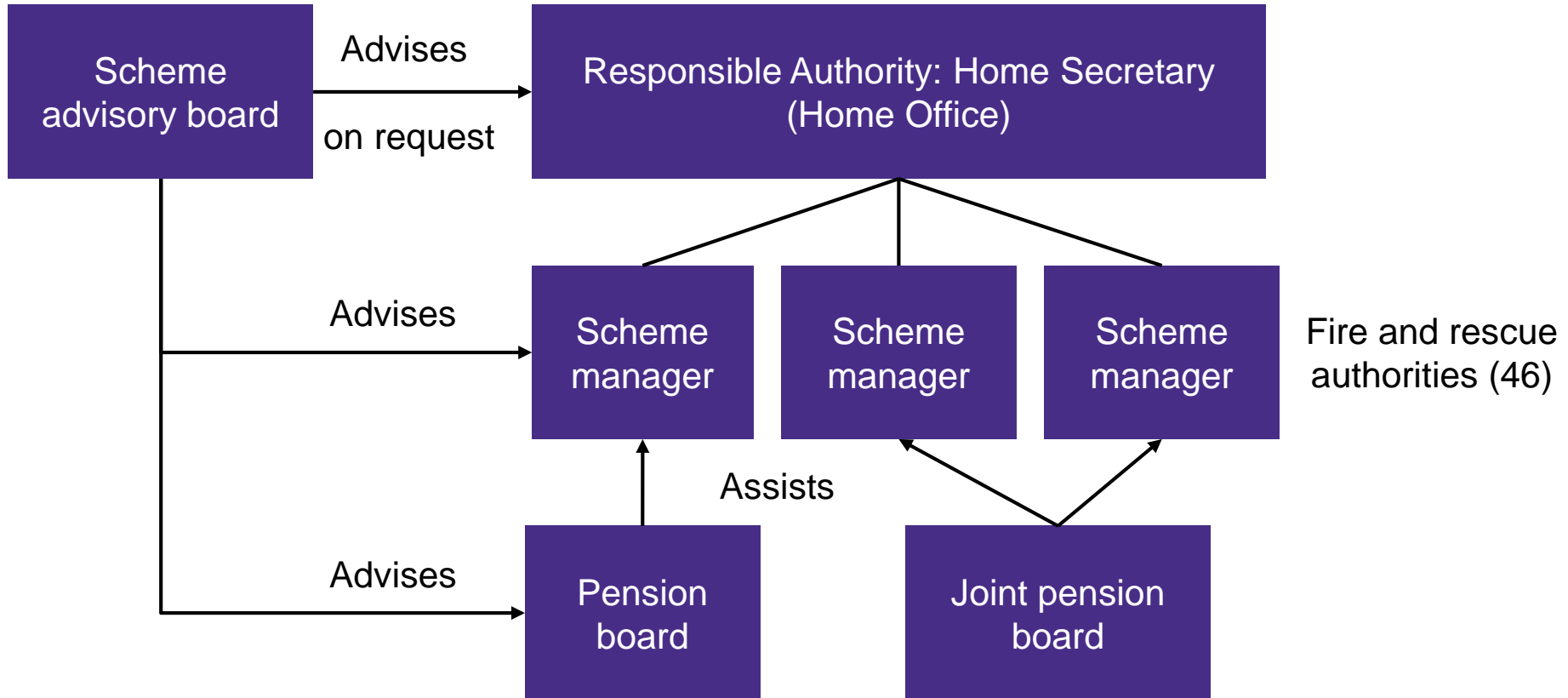# Pension board's ability to guide & advise scheme manager

On a scale of 1 – 10, where 10 represents 'very good' and 1 represents 'very poor', how would you rate the pension board's ability to…? – Mean ratings

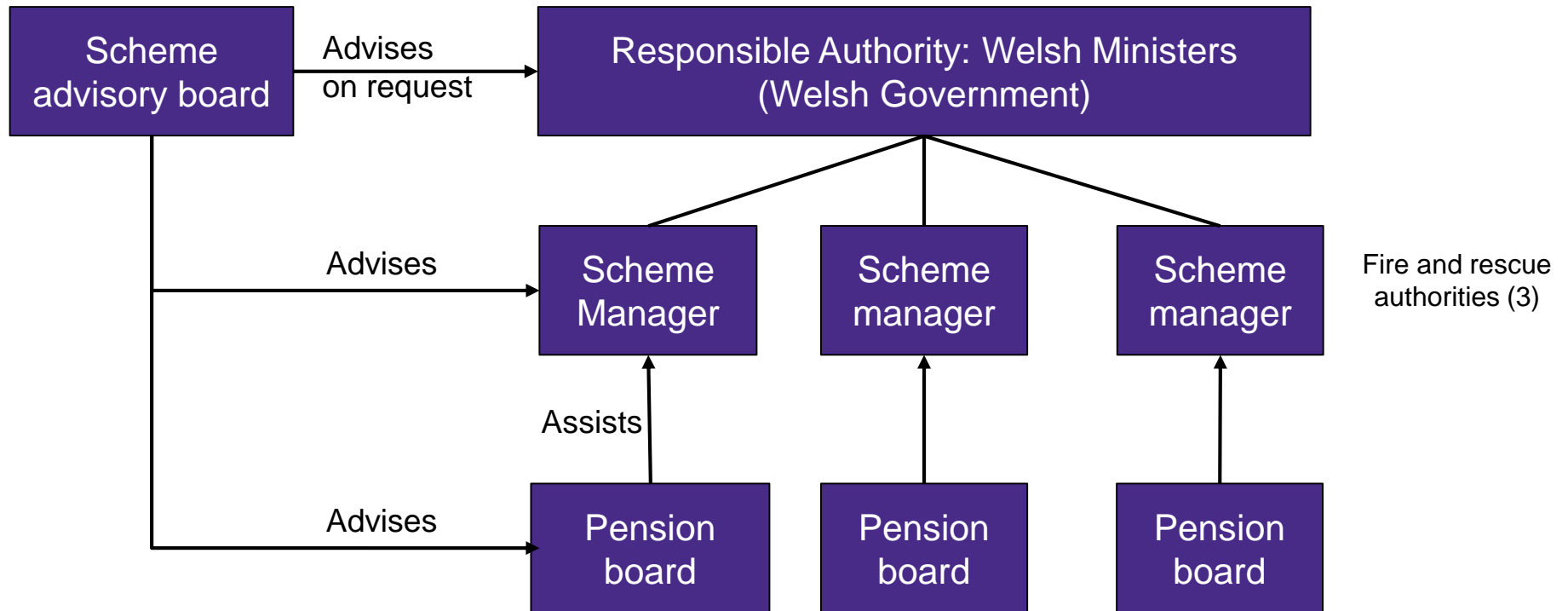|	All Schemes	Fire & Rescue
Identify where there are poor standards or non-compliance with legal requirements	7.3	**6.6**
Set out recommendations on addressing poor standards or non-compliance with legal requirements	7.3	**6.6**
Advise on scheme regulations, governance & administration requirements set out in legislation, & standards expected by TPR	6.7	**5.5**
Take or secure actions to address poor standards or non-compliance with legal requirements	7.4	**6.9**
Average pension board rating (across all 4 aspects)	**7.2**	**6.4**

The Pensions Regulator
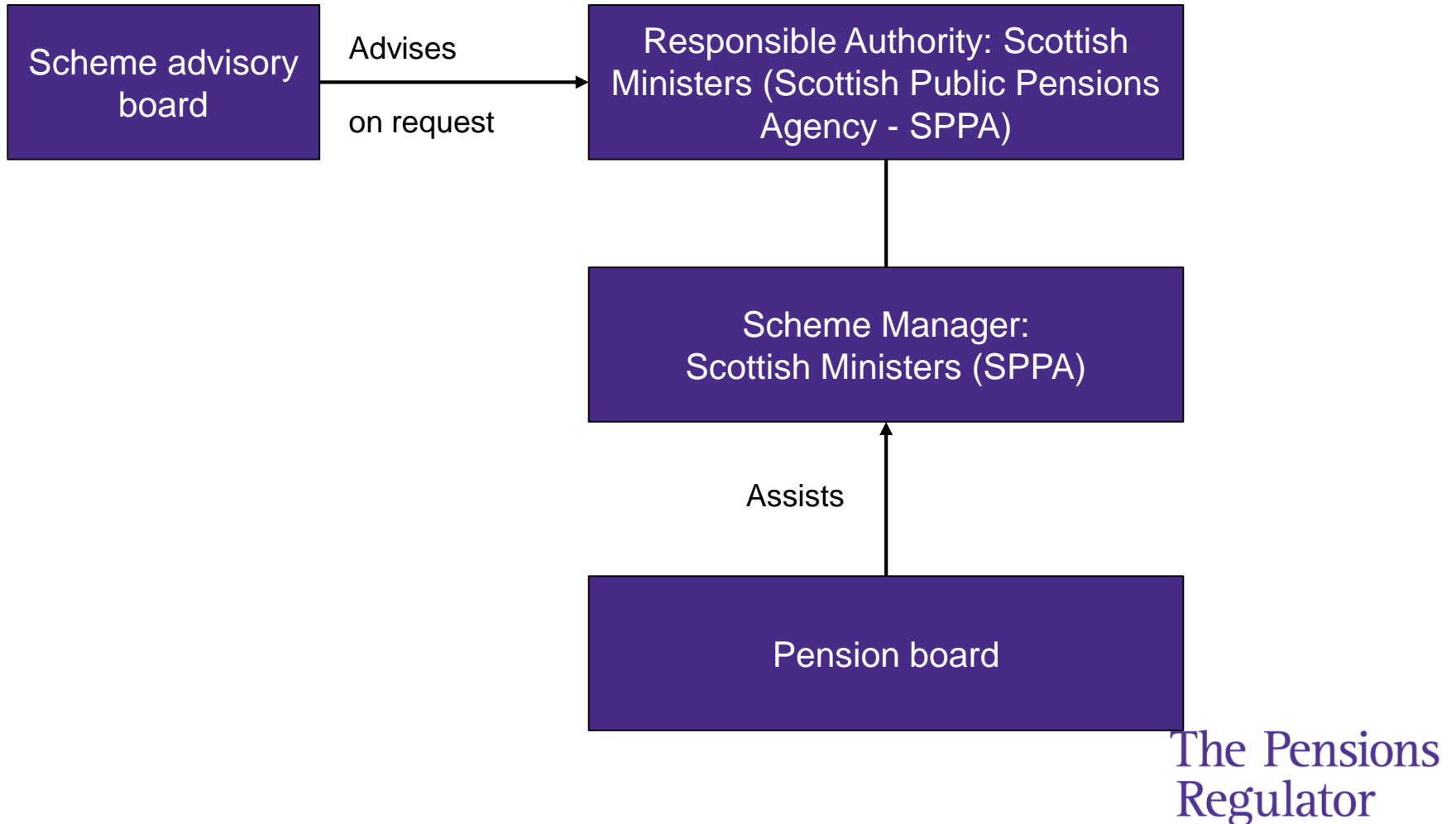
Perception of board's skills is lower than average.

Governance structure – overview - England

Governance structure – overview - Wales

Scheme advisory board — Advises on request → **Responsible Authority: Welsh Ministers (Welsh Government)**

Scheme advisory board — Advises → **Scheme Manager**

Scheme advisory board — Advises → **Pension board**

Responsible Authority: Welsh Ministers → Scheme Manager

Responsible Authority: Welsh Ministers → Scheme manager

Responsible Authority: Welsh Ministers → Scheme manager

Pension board — Assists → Scheme Manager

Pension board → Scheme manager

Pension board → Scheme manager

Fire and rescue authorities (3)

The Pensions Regulator

Governance structure – overview - Scotland

```
┌─────────────────────┐                    ┌─────────────────────────────┐
│                     │      Advises       │  Responsible Authority: Scottish │
│   Scheme advisory   │ ─────────────────▶ │  Ministers (Scottish Public    │
│      board          │    on request      │  Pensions Agency - SPPA)       │
└─────────────────────┘                    └─────────────────────────────┘
                                                          │
                                                          │
                                           ┌─────────────────────────────┐
                                           │     Scheme Manager:          │
                                           │  Scottish Ministers (SPPA)   │
                                           └─────────────────────────────┘
                                                          ▲
                                                          │ Assists
                                           ┌─────────────────────────────┐
                                           │       Pension board          │
                                           └─────────────────────────────┘
```

The Pensions Regulator

Governance structure – overview – Northern Ireland

Scheme advisory board —Advises on request→ **Responsible Authority: Department of Health, Social Services and Public Safety (NI)**

Scheme advisory board —Advises→ **Scheme Manager: Northern Ireland Fire and Rescue Service Board**

Scheme advisory board —Advises→ **Pension board**

Pension board —Assists→ **Scheme Manager: Northern Ireland Fire and Rescue Service Board**

The Pensions Regulator

Governance

- Scheme managers accountable party for most requirements
- Some confusion remains on roles and responsibilities especially on pension boards
- Variety of practice in how scheme managers work with pension boards
  - Scheme managers should use this valuable resource
  - Pension boards should take an active role in identifying key risks and driving forward improvements
- 21C governance key focus for TPR this year
  - Includes basic compliance

The Pensions
Regulator

RECORD KEEPING

FPS Record keeping – survey results

Most schemes are meeting our expectations of doing a data review annually

Last data review
68% in last 12 months
8% longer ago
4% never
20% don't know

But there are concerns as to the effectiveness of these reviews

Identified issues
34% identified issues
39% no issues identified
3% don't know if issues
24% not reviewed (inc. DK)

And take up of data improvement plans is low

Data improvement plans
2% data improvement plan
32% no data improvement plan
42% no issues identified (inc. DK)
24% not reviewed (inc. DK)

21% respondents identify poor records as a top risk

18% report delays in payment of benefits as one of top three complaints

1 in 5 identify poor records as key concern yet the quality of action taken varies.

FPS Employer data

Proportion of employers providing timely, accurate & complete data

Category	Percentage
All of them (100%)	58%
90 - 99%	10%
70 - 89%	0%
Less than 70%	4%
Don't know	24%
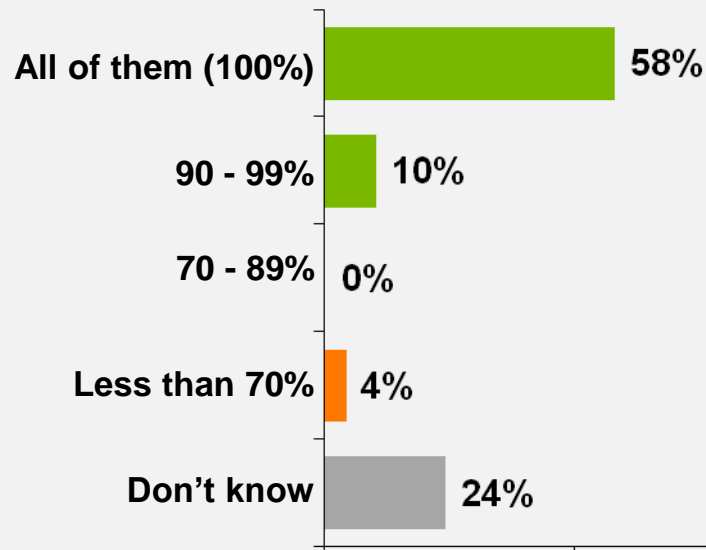
Schemes with a process in place...

76% ...with employers to receive, check and review data

88% ...for monitoring the payment of contributions

68% ...for resolving payment issues and assessing whether to report payment failures to TPR

Employer data a much smaller concern for FPS as single employer schemes, though 1 in 4 'did not know' the proportion when answering the survey and there are substantial gaps in processes for quality assuring employer data

Record keeping

- Good record keeping is a key part to the good running of a scheme
- All schemes need to have good records to meet legal obligations
- We know from engagement that standards vary widely, and some schemes do not prioritise this appropriately
- TPR expects
  – Scheme managers to engage with administrators over service and security
  – Assess data and put in place a plan to address issues
- Further messaging on record-keeping due this year, including guidance on developing an improvement plan and setting out expectations on data security

The Pensions Regulator

INTERNAL CONTROLS

The Pensions
Regulator

Internal Controls

- The **scheme manager** must establish and operate adequate internal controls to enable them to administer and manage their scheme in accordance with the scheme rules and the law.

- Internal controls are systems, arrangements and procedures for:
  - scheme administration and management
  - monitoring that administration and management

- Includes:
  - Managing risk
  - Controls around administrators and employers
  - Identifying and reporting breaches of the law

The Pensions
Regulator

Key processes

(with percentage point change on 2015)

Legend:
- Fire & rescue
- All schemes

80% have a conflicts policy & procedure for pension board members
(+2pp)
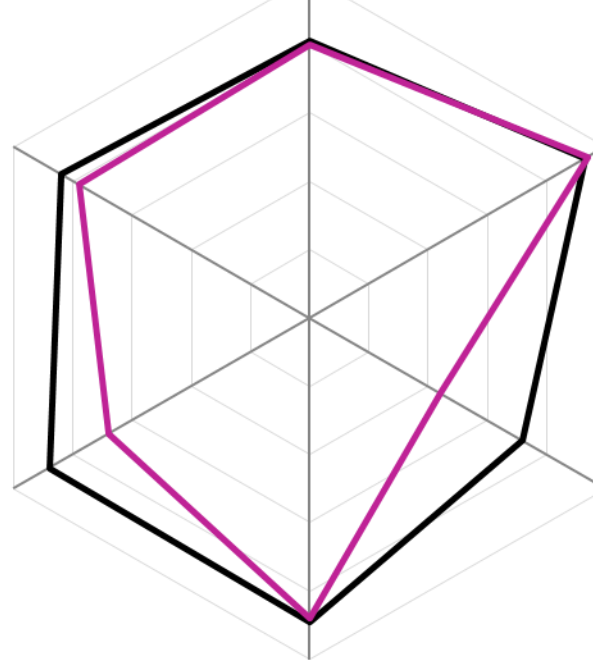
94% have policies & arrangements to help board members acquire & retain knowledge & understanding
(+58pp)

78% have procedures to identify, assess & report breaches of the law
(+42pp)

68% have a process for resolving payment issues & assessing whether to report failures to TPR
(-10pp)

88% have processes to monitor records for all membership types

44% have documented procedures for assessing & managing risks
(+8pp)

The Pensions

Significant improvement in key processes around breaches of the law and training and knowledge. FPS still less likely to have some key processes in place than average, in particular around managing risks and maintaining contributions

FPS Scheme administration

**Which of the following best describes your administration services?**

Legend:
- Other
- Administered by a commercial third party
- Administered by another public body
- Administered in house
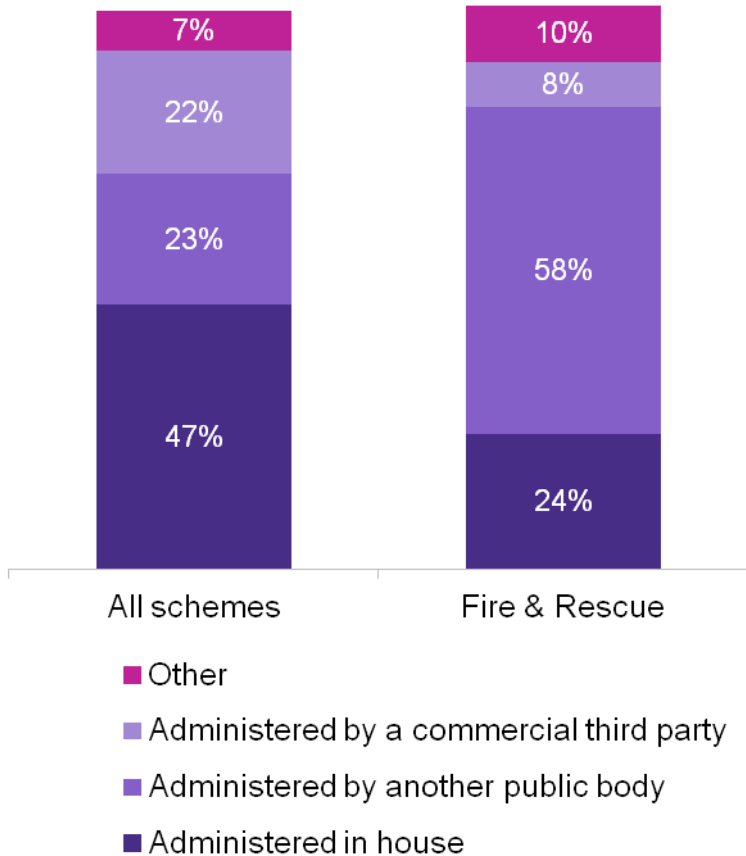
| Administrator management		
Administrators attend regular meetings with SM or PB	**82%**	**Small schemes (<1k memberships) less likely to have administrator controls/ monitoring procedures**
Administrators deliver regular reports to SM or PB	**74%**	
Independent auditors review performance	**52%**	• Meetings 64%
Administrators provide independent assurance reports	**30%**	• Reports 55% • Auditors 44% • Assurance 18%
Performance metrics are set out in contracts or SLAs	**64%**	**Lower where in-house administrator (43%)**
Penalties are applied where term/standards not met	**12%**	**Rarely used by PS schemes**

The Pensions Regulator

The majority of administration is outsourced (76%), in the main to LGPS. A high proportion use SLAs. Penalties are rarely used.

FPS Assessing & managing risk

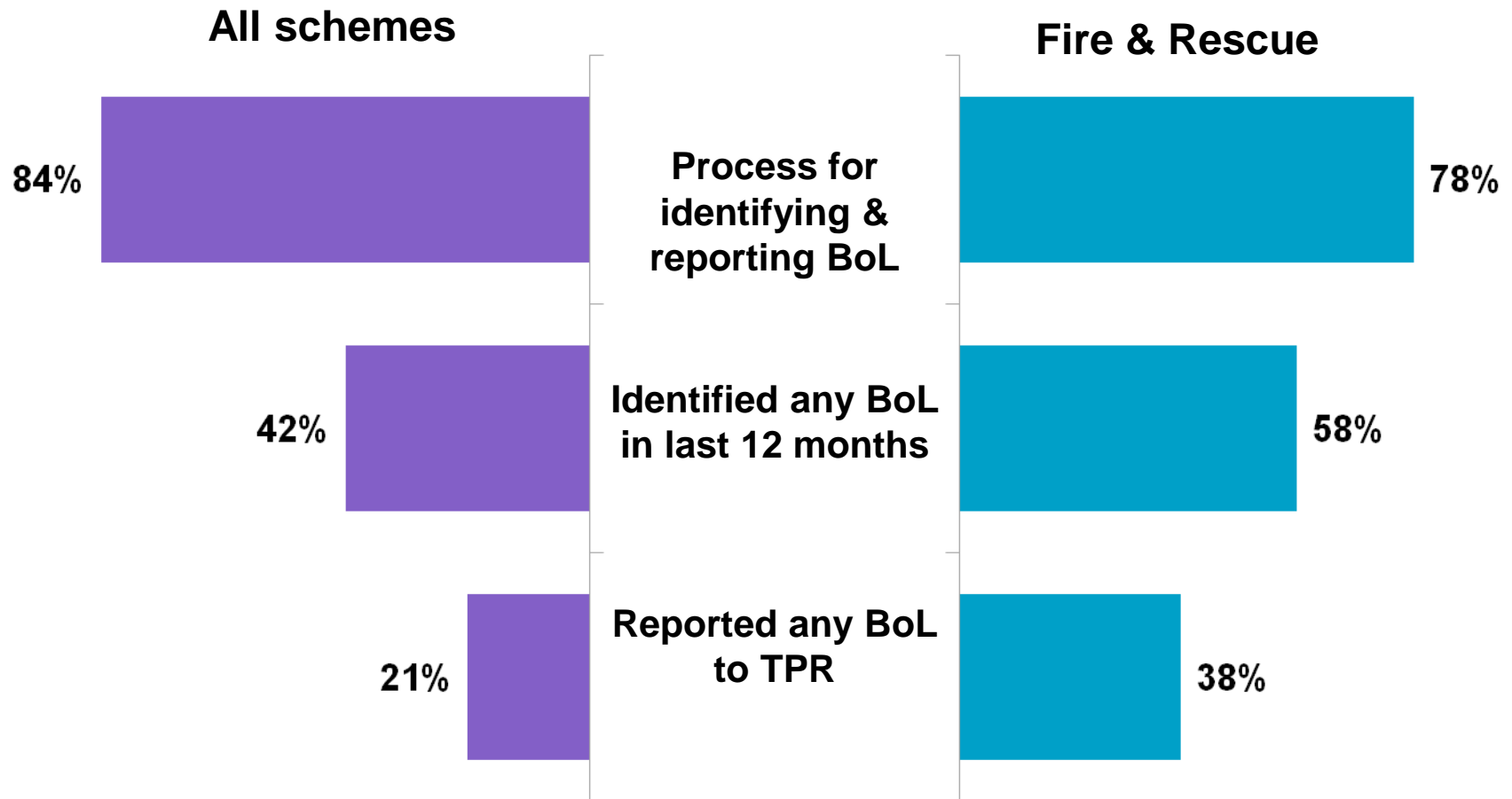**Proportion of schemes that have "documented procedures for assessing and managing risk"**

72%
+2%

44%
+8%

All schemes   Fire & Rescue
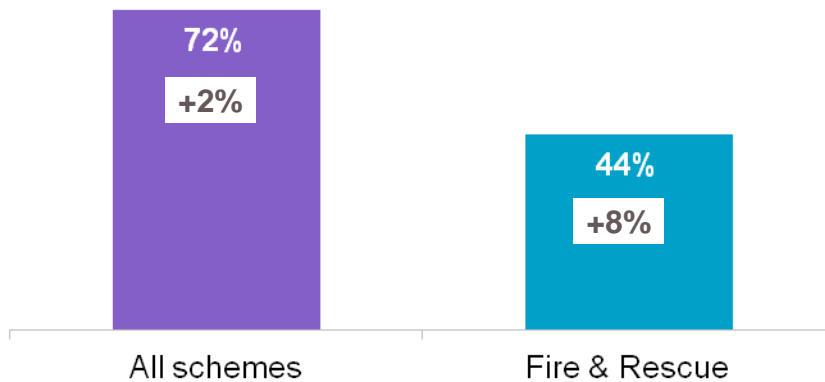
Proportion of schemes that have "a risk register"

70%
-6%

38%
+2%

All schemes   Fire & Rescue
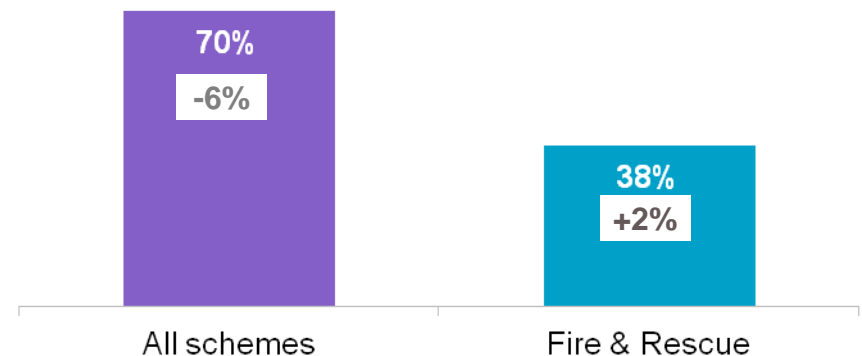
The Pensions
Regulator

Fire & Rescue schemes are significantly less likely to have processes in place, or use a risk register

Breaches of the law

All schemes

84% — Process for identifying & reporting BoL

42% — Identified any BoL in last 12 months

21% — Reported any BoL to TPR

Fire & Rescue

78% — Process for identifying & reporting BoL

58% — Identified any BoL in last 12 months

38% — Reported any BoL to TPR

FPS are more likely than average to identify or report breaches to the regulator

Reporting breaches of the law

- Legal duty to report a breach of the law that is likely of material significance to TPR for
  - Scheme Manager
  - Pension Board Members
  - Employers
  - Administrators and others
- Reporters to determine if a breach has occurred based on reasonable cause and not a mere suspicion
- TPR provides example scenarios and RAG system for assessing scale of materiality, by way of
  - Cause
  - Effect
  - Reaction
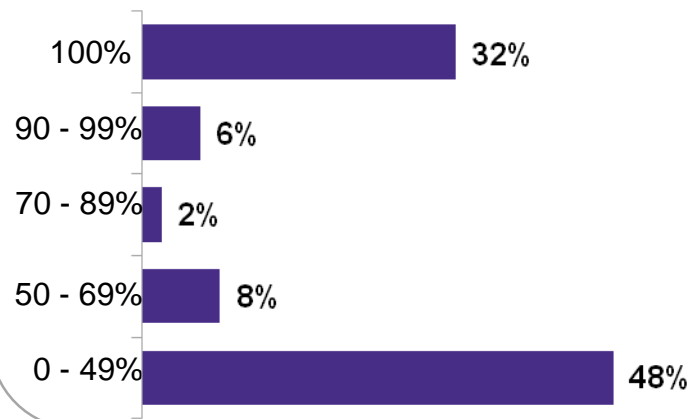 - Wider implications

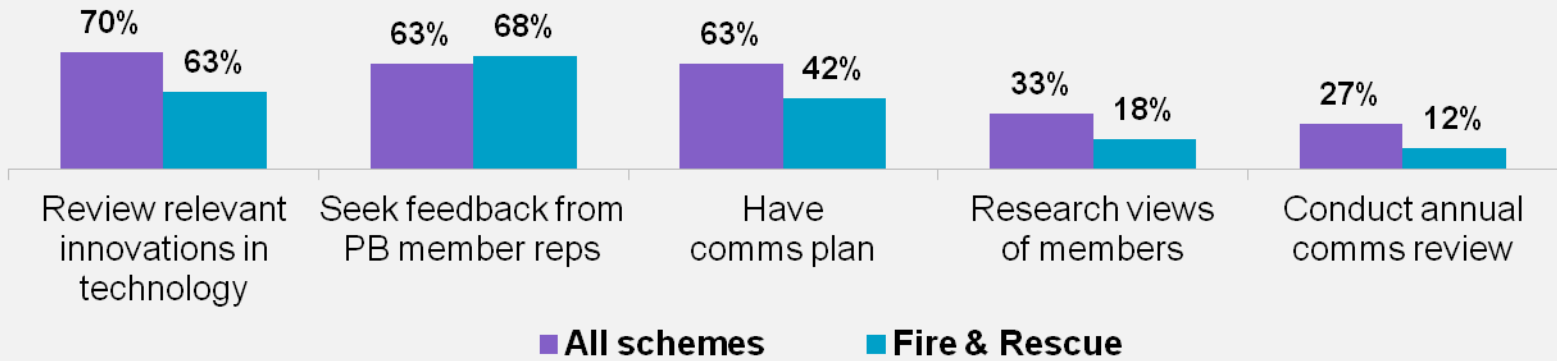The Pensions Regulator

MEMBER COMMUNICATION

The Pensions
Regulator

FPS Member communications – survey results

Proportion of active members receiving annual benefit statement by statutory deadline

100%	32%
90 - 99%	6%
70 - 89%	2%
50 - 69%	8%
0 - 49%	48%

- Only a third of fire & rescue schemes reported that all members received their ABS on time
- 54% of memberships did not receive their ABS in time

## Tools/processes to improve effectiveness of member communications

	Review relevant innovations in technology	Seek feedback from PB member reps	Have comms plan	Research views of members	Conduct annual comms review
All schemes	70%	63%	63%	33%	27%
Fire & Rescue	63%	68%	42%	18%	12%

■ All schemes ■ Fire & Rescue

- **The larger the scheme, the more likely it is to use a range of tools to try and improve comms**

Over half of memberships did not receive their benefit statements in time. Fire & Rescue schemes less likely to have in place processes to improve member comms

Member communications

- New requirement to issue ABS

- Lessons learnt from early LGPS experience fed into a quick guide

- We expect schemes to tackle the issues faced in the early years and for the proportion of members who receive their statements on time to improve

- Good communications are not just timely and accurate, but also clear – many pension boards advise on this perspective.
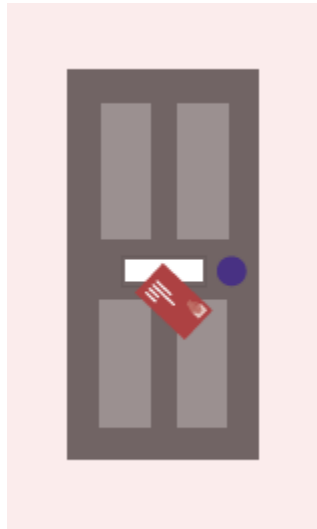
The Pensions Regulator

NEXT STEPS

Challenges ahead

- Guaranteed Minimum Pension (GMP) reconciliation

- Pension Dashboard(s)

- General Data Protection Regulation (May 2018) – Information Commissioner's Office 12 steps guide

- Outcome of actuarial valuations

The Pensions Regulator

What can pension boards do?

- Robust governance processes including clear roles and responsibilities

- Engage with the regulator's work

- Support the scheme manager – assess risks, challenge and ensure plans are in place
  - Focus on top 3 risks
  - Look ahead – GMP, Dashboards, GDPR

- Knowledge and understanding
  - TPR toolkit

The Pensions Regulator

Useful links

- [Public service section](#) of the TPR website, which we would encourage people to explore.

- Reporting breaches [guidance](#) and [examples](#)

- [Self-assessment tool](#) to identifying focus areas for development

- [News-by-email](#) service, to keep up to date with TPR's work on public service schemes.

The Pensions Regulator