

LPB annual wrap-up training 2019
18 Smith Square
18 June 2019

Agenda

- Introduction and group discussion
- Background to the Firefighters' Pension Schemes
- Firefighters' Pension Funding
- Governance - Roles and Responsibilities
- TPR Governance & Administration survey 2018 overview
- Next steps
- Current and future landscape

Introduction

I don't

- Police
- Inspect
- Regulate
- Report
- Whistle blow

I do

- Advise
 - Guide
 - Help
 - Steer
-

Administration and management

- Each of the 45 England Fire & Rescue Authorities are responsible for the management and administration of the scheme and are defined in law as the [scheme manager](#)
- This responsibility is managed differently within each FRA depending on governance
- Each FRA is required to administer the scheme
- Currently 20 different pension administrators across the 45 FRAs, a list of Authorities and their administrators can be found [here](#).



Funding

- The top up grant provided from central government covers pension payments only. It does not fund administration and management of the scheme.
 - Unlike centrally administered schemes, where the employers pay an administration levy, FRAs have to fund pension costs arising from the administration and management of the scheme from their operating accounts.
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Central Support

- Fire & Rescue services are supported centrally by the LGA ‘Bluelight’ pension team, who are also the secretariat for the board. The LGA Bluelight team run a framework of [forums and groups](#), and [events and conferences](#) in order to support the FRAs with their responsibilities.
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LGA Framework and Support Services

- [Forums and Groups](#)
 - Technical group
 - Communications group
 - Regional groups
 - [AGM](#)
 - [Monthly Bulletins](#)
 - www.fpsregs.org
 - [Technical Support](#)
-

LGA Internal Representation



Over 35 attendances during 2018

LGA External Representation



**Central
point of
contact**

An important note

- These slides are intended to provide an overview of the scheme regulations and should not be regarded as a complete guide
 - Please note that it is the responsibility of each FRA to apply the rules of the pension scheme in accordance with their interpretation of the scheme and to obtain legal advice where they consider this is necessary.
 - The information contained in these slides have been provided to give some guidance on the rules of the pension scheme, however they should be used only as an informal view of the interpretation of the firefighters' pension scheme as only a Court can provide a definitive interpretation of legislation.
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Group discussion



- What do you think is most challenging for board members?
 - How are you assisting your scheme manager in the management of the pension scheme?
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Background to the Firefighters' Pension Schemes

Firefighters' Pension Schemes

13 years ago



Firefighters' Pension Scheme 1992

- Open to regular firefighters
- 1/60th accrual rate
- Double accrual after 20 years
- Maximum service is 30 years
- Earliest retirement age 50
- Final Salary scheme
- Discretionary Additional Pension Benefits
- Actuarial commutation factors
- Injury benefits
- Built in ill-health benefits/life cover
- Pension for Widow's/Children
- Deferred pension age 60



Firefighters' Pension Schemes

Then in 2006.....



2006 Reform

Firefighters Pension Scheme 1992

- Closed to new entrants from 6 April 2006
- Options Exercise

Firefighters Pension Scheme 2006

- Open to regular and retained Firefighters appointed after 6 April 2006
- New retirement age

Firefighters Pension Fund

- New notional funding mechanism

Firefighters Compensation Scheme

- Injury benefits removed from the pension scheme rules and a separate set of regulations were created
-

Firefighters' Pension Scheme 2006

- Open to regular and retained firefighters from 6th April 2006
- 1/60th accrual rate
- Maximum service 45 years
- Retirement age 60
- Earliest retirement age 55 (subject to reductions)
- Final Salary Scheme
- Discretionary Additional Pension Benefits
- Commutation based on 1 : 12 ratio
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children
- Deferred pension age 65



Compensation Scheme

- Benefits under the compensation scheme are paid where it is ruled there is a 'qualifying injury', the amount of benefits depend on the degree of disablement.
 - The compensation scheme applies to all regular and retained firefighters, and pays equal benefits to those eligible regardless of what scheme they are in
-

Compensation Scheme - Statute

Statutory Instrument	Brief description of amendment
<u>2006/1811</u>	Established the compensation scheme by statute in 2006
<u>2006/3434</u>	Minor amendments
<u>2014/447</u>	Amendments to reflect introduction of special members
<u>2015/590</u>	Amendments to ensure the compensation scheme applies to members of the 2015 scheme
<u>2017/892</u>	Amendments so that survivor benefits do not cease on new relationship

Firefighters' Pension Schemes – now!



Special Members of the FPS 2006

- Ability for those retained who were excluded from a scheme from 2000 – 06 to join a scheme similar to the FPS 1992.
- Benefits reflect 1992 scheme (in part)
- Incorporated into 2006 scheme
- Accrual rate 1/45th
- Normal pension age 55
- Deferred pension age 60
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children
- The options exercise ended September 2015.



Firefighters' Pension Scheme 2015

- All members transferred in April 2015
- Transitional protections apply for qualifying members to have benefits calculated under the 1992 or 2006 scheme
- Accrual rate (currently) 1/59.7ths
- Retirement Age 60
- Earliest retirement age 55 (subject to reductions)
- Career Average scheme
- Individual Pension accounts
- Average Weekly Earnings revaluation
- Commutation based on 1 : 12 ratio
- Deferred pension age equal to State Pension Age (min 65)
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children



Governance

- Local Pension Boards to secure compliance
 - Increased documentation and policies
 - Training of Boards
 - Introduction of The Pensions Regulator
 - Record breaches not just report
 - Managing risks and internal controls
-

Scheme Comparison

Feature	1992 Scheme	2006 Scheme Standard Members	2006 Scheme Special Members	2015 Scheme
Basis of pension	Final salary	Final salary	Final salary	(CARE)
Accrual rate	40/60ths 1/60 th (2/60 th after 20 years)	1/60 th	1/45 th	1/59.7 th
Benefit / Membership Cap	40/60 th	45 years	30 years	None
Revaluation rate	n/a	n/a	n/a	Average Weekly Earnings

Scheme Complexities



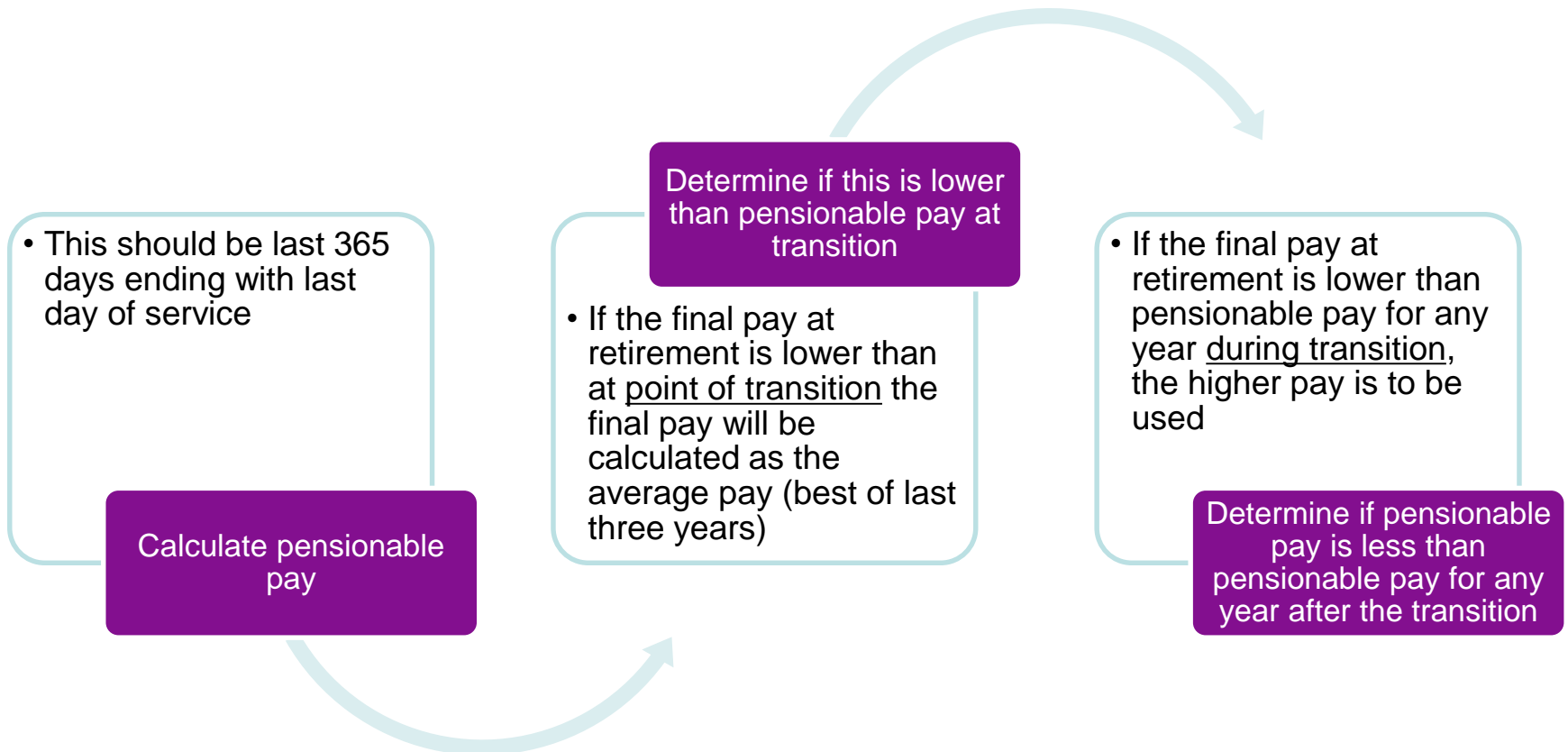
Types of member

1992 Scheme	2006 Scheme (Standard Members)	2006 Scheme (Special Members)	2015 Scheme	Compensation Scheme
Protected standard members	Protected standard members	Protected special members	2015 only	Benefits based on service
	Protected retained members		1992 transitional	Protections for retained firefighters with a qualifying injury before 1 st April 2014
			2006 standard transitional	
			2006 standard retained transitional	
			2006 special transitional members	

Two Pensions

- A member has an entitlement to two pensions after a drop in pay which is often known as a split pension.
 - We have recently published a [factsheet](#) on the entitlement to two pensions.
 - The split pension effectively pro-rata's the expected benefit, calculated on two different salaries.
 - The pension can only be split once.
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Pay Protections

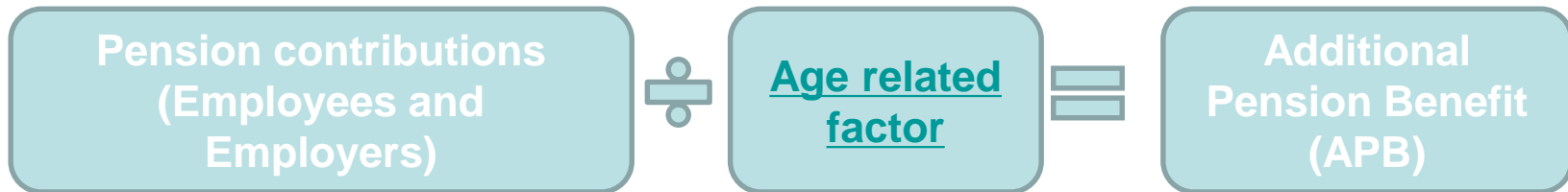


Entitlement to Two Pensions Factsheet



Final Salary Discretionary Benefits (APB)

1. Allowance or supplement to reward additional skills and responsibilities
2. Continuous Professional Development (CPD)
3. Temporary promotion, which began after 1 July 2013
4. Performance Related Payment



APB Factsheet

Re-employment after retirement

Pension will be subject to abatement where an employee retires and begins drawing their pension and is either:

- re-employed by any Fire Authority in any capacity or
- continues in the employment of a Fire Authority
- Abatement to pension applies if the new salary, plus the pension they are in receipt of, is more than their salary they received while previously employed, then that excess amount is taken away from their pension whilst the member is re-employed.

[Abatement Factsheet](#)

Eligibility to the pension scheme

- Duties are only pensionable where they are appropriate to the role of a firefighter, and the role includes resolving operational incidents or leading and supporting others in resolving operational incidents.
 - If additional duties require a separate contract, the contract would need to state that the role is appropriate to a firefighter.
-

Pensionable pay

- It is a matter for each FRA to determine what is and isn't pensionable taking into account their contractual arrangements, the regulations and all relevant case law.
 - When making any pensionable pay decision, the reasoning for that decision and what case law has been considered should be documented
-

Pensionable Pay Resources

- AGM 2018 – [Pensionable Pay Slides](#)
- Booth V Mid and West Wales [Factsheet](#)
- Bulletins [Topic List](#) ‘Pay’
- Pensionable Pay Regulations

FPS 1992	G1
FPS 2006	Part 11, Chapter 1, 1 & 2
FPS 2015	17

Nobody told us!

- Drop in pay triggering two pension entitlement
- Temporary Promotion pensionable under a discretionary APB only
- Transition to 2015 scheme (Ill-Health)
- Re-employed with another FRA
- * [PPA factsheet](#) * [Abatement factsheet](#)
- Eligibility of the scheme [Eligibility factsheet](#)
- How to determine pensionable pay
- Special members of the 2006 scheme





Question 1

- How comfortable do you feel that the right processes are in place?
 - Eligibility to scheme
 - Pensionable Pay decisions understood and made correctly
 - Scheme discretions such as temporary promotion
 - Data is shared with administrators, on time and accurately

**WOULD YOU DO ANYTHING DIFFERENTLY
FOLLOWING TRAINING?**

Scheme Regulations

- FPS 1992 Regulations

<http://www.fpsregs.org/index.php/regulations/fps-1992->

- FPS 2006 Regulations

<http://www.fpsregs.org/index.php/regulations/fps-2006-regulations>

- FPS 2015 Regulations

<http://www.fpsregs.org/index.php/regulations/fps-2015-regulations>

- Firefighters' Compensation Scheme

<http://www.fpsregs.org/index.php/regulations/firefighters-compensation-scheme>



Other guidance

- [Ill-Health and Injury Quick Guide](#)
 - [Survivor Benefits](#)
 - [Transfers](#)
 - [Special Members of the 2006 Scheme](#)
 - [Transitional Member Guidance](#)
 - [Pensionable Pay and Case Law](#)
 - [Factsheets](#)
-

Funding of Firefighter Pensions

Funding of Schemes

2 types of public service pension schemes:

- Funded e.g. LGPS
- Unfunded – most other public service schemes, including FPS.



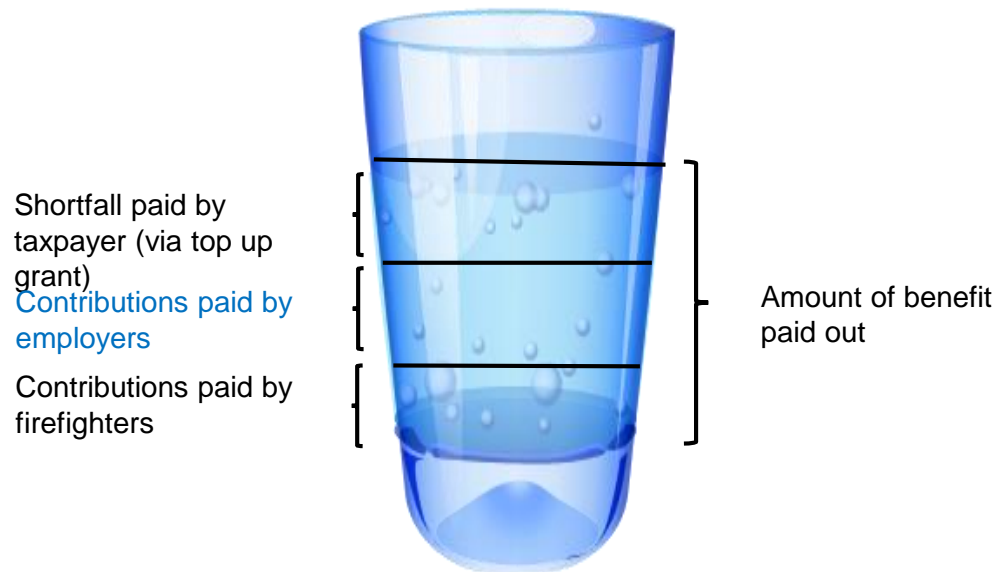
Notional Pension Fund

- Pension fund accounting introduced April 2006.
- Previously operated on a PAYG basis.
- Pension transactions separated from revenue budgets
- Injury pensions from compensation scheme to be funded from operating account





How are fire pensions financed?



6 March 2017

Notional Pension Fund - example

PENSION FUNDS 31st MARCH 2016

	£k
<u>Pension Fund Income</u>	
Employee Contributions	-2,621
Employer Contributions	-3,495
Ill Health Retirement Contributions	-27
Repaid contributions	-44
Transfers In	-32
	-6,219
<u>Pension Fund Expenditure</u>	
Pensions	19,136
Lump sum retirement benefits	7,420
Transfers Out	343
	26,899
Deficit	20,680

Continuing deficit

PENSION FUND DEFICITS LAST 3 YEARS	
	£k
31st March 2016	20,680
31st March 2015	16,027
31st March 2014	15,374



The Hutton Review (2011)

Public Service Pensions should be:

- Affordable and Sustainable
 - Work longer
 - Career average
 - Tiered employee contributions
 - Cost cap
- Proposed Employer Cost Cap set at 16.8% of pensionable pay

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/415189/ANNEX B - 150306 - Fire England Valuation - Report by the Scheme Actuary - Final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/415189/ANNEX_B_-_150306_-_Fire_England_Valuation_-_Report_by_the_Scheme_Actuary_-_Final.pdf)



Governance – Roles & Responsibilities



The road to governance

Hutton
Report

PSPA 2013

TPR

Fire
Regulations

The Who's Who of Governance

Pension Board



- Assist Scheme Manager
- Ensure Compliance
- Ensure efficiency & effectiveness of administration
- Advise on member communications
- Monitor complaints

Scheme Manager



- Administer schemes
- Make scheme decisions
- Issue Communications
- Publish data
- Auditing
- IDRPs

Scheme Advisory Board



- Advise Secretary of State on request of desirability to change of scheme rules
- Cost Cap/Valuation
- Support LPB's
- Benchmarking
- Oversee standards
- Strategic communications

Scheme Advisory Board



Section 7 – Scheme Advisory Board

requires and defines a Scheme Advisory Board:-



1. Providing advice to the responsible authority, at the authority's request on the desirability of changes to the scheme


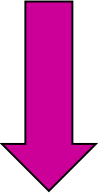


2. provide advice (on request or otherwise) to the scheme managers or the scheme's pension boards in relation to the effective and efficient administration and management of the pension scheme and connected schemes

3. A person to whom advice is given under 1 & 2 above must have regard to the advice

Rule 4E: SAB Establishment

Requires establishment of SAB to

-  • (2) The function of the Firefighters' Pension Scheme Advisory Board is to provide advice in response to a request from the Secretary of State on the desirability of making changes to this scheme and any connected scheme.
 -  • (4) The Firefighters' Pension Scheme Advisory Board also has the function of providing advice to scheme managers and local pension boards in relation to the effective and efficient administration and management of this scheme and any connected scheme.
-

SAB Responsibilities

- Advise SoS on request of desirability to change of scheme rules
 - Under rule 150A consult on the event of a breach within 2% of the cost cap set of 16.8%
 - Support Pension Boards and Scheme Manager
 - Benchmark
 - Oversee standards
-



➤ **SAB sub-committees**

- **Cost management and effectiveness**
- **Administration and Benchmarking**
- **Effectiveness of local pension boards**

<http://www.fpsboard.org/index.php/board-committees>

- **Engagement - Just a snapshot**
 - **Board training sessions and meetings**
 - **Technical groups and regional groups**
 - **Industry events**
 - **Engagement with third party administrators**
 - **Software supplier meetings**
 - **TPR Stakeholder meetings**
 - **Dashboard meetings**

- **Delivered in last two years**
 - **National Board website**
 - **Tax awareness sessions**
 - **Independent actuarial review of 2016 assumptions**
 - **Consultation response on valuation items**
 - **Local Pension Board Training and resources**
 - **Template GDPR privacy notices**
 - **LPB survey**
 - **Administration & Benchmarking review**



SAB Survey

- **Between December 2017 and January 2018, FRAs were invited to participate in the SAB survey, we had a 73% response rate – Is that good?**
- **Designed to measure engagement and compliance of boards to establish where targeted support could be offered**
- **Read the full report [here](#)**

➤ **Key themes to boards working well**

Joint working and collaboration, positive engagement between scheme manager and board

Good attendance and regular meetings

Implementation of key documents, risk and breach registers, action plans and training logs

Increased awareness of issues affecting the FPS

Performance and annual reporting

Improved scheme communications

Ability to monitor compliance

**Implementation and publication of key documents,
risk and breach registers**

**Turnover of board members and subsequently
keeping skills up to date**

Formation of joint i.e. regional boards

Training

Increase profile of board within organisation

Increase number of board members

**Scheme manager communication / engagement
and attendance at meetings**

Scheme Manager



Scheme Manager Factsheet

Scheme Manager

- The Scheme Manager is defined by rule 4 of the 2015 regulations rule 4 of the 2014 regulations as being the Fire and Rescue Authority as determined under section 1 of the Fire and Rescue Services Act 2004
 - The scheme manager is responsible for managing and administering this scheme and any statutory pension scheme that is connected with it.
 - <http://www.legislation.gov.uk/ukxi/2014/2848/regulation/4/made>
-

Power of delegation – Rule 5

- *(2) The scheme manager may delegate any functions under these Regulations, including this power to delegate, to such persons or employees of such person as may be authorised in that behalf by the scheme manager.*
 - <http://www.legislation.gov.uk/ukxi/2014/2848/regulation/5/made>
-

Delegation not abdication

Who owns pensions

- Is there a natural home for pensions within your organisation?
- Is this part of the senior management team?
- Is it one persons responsibility?

Who monitors?

- Regular reports to the fire authority, and from whom?
- An understanding of risk?
- Does the Local Pension Board report directly to the Fire Authority
- What escalation procedures are there?

Risks of not delegating?

- Findings against the authority by The Pensions Ombudsman
- Financial risks of pension fund mistakes
- Section 89 report from TPR

Local Pension Board



Section 5 – Pension Board

requires and defines a 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.*

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

4A : Pension Board Establishment

Requires establishment of board to assist the scheme manager

- [1(a)] to Secure compliance with :-
 - Scheme regulations and any other relevant legislation
 - Pension Regulator's codes of practice, etc
 - [1(b)] in the performance of the scheme managers functions under these regulations
-

Board members responsibilities

- Assist Scheme Manager
 - Notify Scheme Managers of Conflict of Interest
 - Comply with scheme rules
 - Keep Code of Conduct
 - Comply with TPR Code of Practice
 - Report breaches of law
 - Gain knowledge and understanding
-

Pension board assistance

- Compliance of duties under the regulations and relevant legislation
 - Effectiveness of processes for the appointment of advisors and suppliers
 - Identify improvement of customer service
 - Identifying patterns of complaints
 - Reviewing the performance of administration
 - Reviewing the process for sharing data
-

Breaches of the Law

- Who should report
 - Managers of the scheme
 - Pension board members
 - Administrators
 - Employers
 - Professional Advisers
 - Those involved in advising the scheme manager

[TPR Guidance](#)


[SAB Breach Assessment Guidance](#)

Reporting and recording breaches

	Potential investigation outcomes			
	Cause	Effect	Reaction	Wider implications
Red	Pension board members have failed to take steps to acquire and retain the appropriate degree of knowledge and understanding about the scheme's administration policies	A pension board member does not have knowledge and understanding of the scheme's administration policy about conflicts of interest. The pension board member fails to disclose a potential conflict, which results in the member acting improperly	<p>Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours</p> <p>The scheme manager does not take appropriate action to address the failing in relation to conflicts</p>	It is highly likely that the scheme will be in breach of other legal requirements. The pension board do not have an appropriate level of knowledge and understanding and in turn are in breach of their legal requirement. Therefore, they are not fulfilling their role to assist the scheme manager and the scheme is not being properly governed
Amber	Pension board members have gaps in their knowledge and understanding about some areas of the scheme's administration policies and have not assisted the scheme manager in securing compliance with internal dispute resolution requirements	Some members who have raised issues have not had their complaints treated in accordance with the scheme's internal dispute resolution procedure (IDRP) and the law	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	It is possible that the scheme will be in breach of other legal requirements. It is possible that the pension board will not be properly fulfilling their role in assisting the scheme manager
Green	Pension board members have isolated gaps in their knowledge and understanding	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach	It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager

<http://www.thepensionsregulator.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf>

Breach Assessment



Secretariat: blueight.pensions@local.gov.uk

Breach Assessment Template

Date of assessment
[Enter text about date of assessment and who assessment panel is]

Introduction
[Brief introduction to the breach being assessed]

Identified
[Enter text about how the breach was identified, for example it might be:

- Tracked from agenda
- Tracked from LGA bulletins / technical note
- Informed by scheme manager / Pensions administrator
- Something else]

Assessment
[Using the [TPR guidance](#) comment on the four areas and score red, amber or green]

	Cause	Effect	Reaction	Wider Implications
Red				
Amber				
Green				

Action
[Enter text about what the course of action is in response to the breach, including any timescales.]

History / Frequency
[Enter text about whether this is a breach that has occurred before and with what frequency.]

Decision

Report as material breach	
Recorded as breach	

Assessed by:
Date of assessment:

Board Review:

Tabled at Board Meeting:
Agreed by board:

Available [here](#) -

Risk

Regulatory and Compliance	Financial	Operational
Non compliance with TPR	Excessive Charges	Member Data
Failure to interpret regulations	Pension Fund accounting mistakes	Administrative failures
Failure to comply with disclosure requirements	Authority costs due to failure to apply scheme / tax rule correctly	Premises
Failure to communicate with scheme members	Failure to deduct correct employee contributions	Software
	Fraud	Workforce planning

TPR – Example Risk Register

Public Service toolkit downloadable

Example risk register

Risk area 1 – Operations	Likelihood (1: least likely, 10: most likely)	Impact (1: least likely, 10: most likely)	Score (likelihood x impact)	Control	Owner	Test	Next review	Comment
Operational disaster (fire/flood etc)	1	6	6	Business continuity procedures in place for administrator	Scheme manager	Annual	Q1 Y2	Up-to-date business resiliency programme provided by administrator as at 01/01 Y2, reviewed by scheme manager at meeting in Q1 Y2
				Business continuity plans in place for scheme manager	Scheme manager	Annual	Q2 Y2	Documented programme in place to ensure continuity will be provided by pension finance manager to scheme manager in time for quarterly meeting in Q2 Y2
				Contracts with all advisers and suppliers are recorded on central database	Pension finance manager	Annual	Q1 Y3	Contracts held in hard copy in safe, and electronically in secure area of scheme management Intranet. Checked by pension finance manager January Y2
Member data Incomplete or Inaccurate	5	7	35	Annual report from administrator, used as basis for rectification plan	Scheme manager	Annual	Q3 Y2	Initial rectification plan completed Q3 Y1. New report received from administrator at Q1 Y2 meeting, revised rectification plan agreed with administrator. To review progress at Q3 quarterly meeting
				'Not known at this address' returns from annual statements checked by tracing agency	Pension administrator	Annual	Q2 Y2	Details provided by administrator mid January Y2, passed to tracing agency at end of January. 25% traced by quarterly meeting in Q1, update will be provided to scheme manager for Q2 meeting
Administration process failure/ maladministration	4	8	32	Formal agreement in place with administrator, including SLAs	Pension finance manager	Annual	Q1 Y3	Last reviewed Q2 Y1, three year agreement
				Authority levels clearly agreed and kept up-to-date	Scheme manager	Annual	Q2 Y2	Last reviewed Q2 Y1
				Review Independent audit reports of administrator's processes	Scheme manager	Annual	Q2 Y2	AAF01/06 held by administrator as at DD/MM/YYYY
				Ongoing dialogue with third party administrator	Pension administration manager	Ongoing	Q2 Y2	Weekly phone calls between pension administrator manager and third party administrator, plus ad hoc calls when necessary
				Written reports and quarterly presentations by administrator to scheme manager	Scheme manager	Quarterly	Q2 Y2	Next report from administrator due two weeks before quarterly meeting

[TPR - example](#)

[Fire example](#)

Internal Dispute Resolution

- Guidance in [FPSC 1/2009](#) and [Bulletin 9](#)
1. First stage considered by Chief Fire Officer or a delegated senior manager (six months)
 2. Second stage considered by elected members (six months)
-

Internal controls

Scheme Manager Engagement

- Can you identify who is the delegated scheme manager
- Does the scheme manager regularly attend board meetings?
- Does the chair of the board have regular meetings with the scheme manager
- Are there barriers to the above?

Arrangements and Procedures for administration and scheme management

- Are they the same thing?
- Who is responsible for managing the scheme, does that include administration?

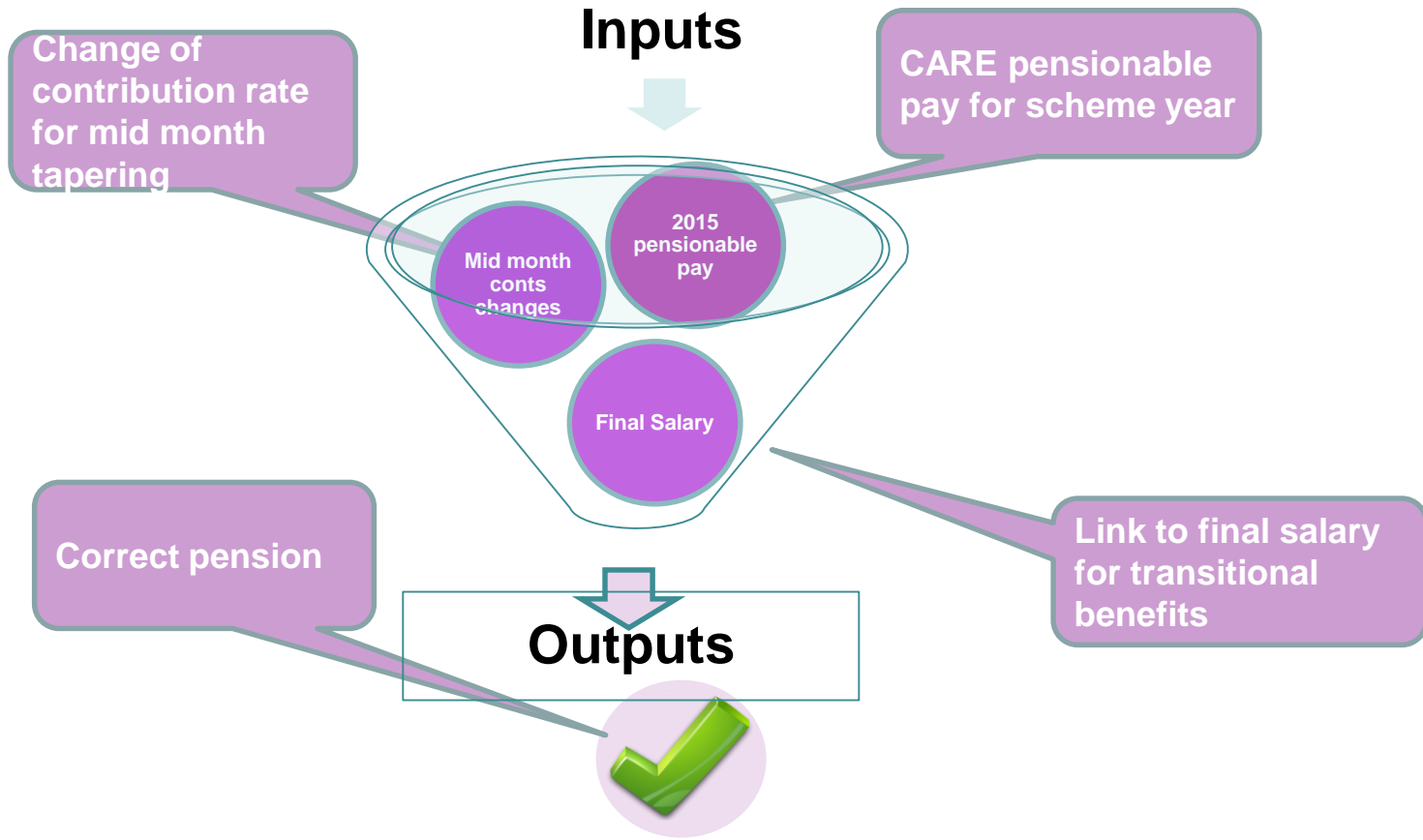
Who monitors?

- Does the 'scheme manager' get reports
- Does the scheme manager report to the Chief Fire Officer?
- Does the chief report to the authority?
- What escalation procedures are there?

Administration

- How are SLAs set?
 - Are roles and responsibilities clear?
 - What services does the administrator offer?
 - Regular meetings
-

Record Keeping



Data

Mid Month Tapers

- Are pension boards comfortable they will comply with regulations and deduct contributions on time
- How will the changes be managed

Pensionable Pay

- Are pension boards comfortable that 2015 pensionable pay can be identified separately to final salary pay
- Are there any errors?
- Is the scheme manager clear on what pay constitutes pensionable pay

Supplying data to the administrator

- Mid month contribution changes
 - CARE and Final Salary Pensionable Pay
 - APP for retirement and death cases
 - Final Pay
 - On time for valuation and annual benefit statement purposes
 - Member event (like drop in pay)
 - Employer event (Ill-Health)
-

TPR quick guides

- [Record keeping](#)
 - [Improving your data](#)
 - [Measuring your data](#)
-

Joint Boards

- Joint boards are allowable under the regulations where the administration and management are mainly or wholly shared
 - Committee are considering guidance on how management of the scheme should be shared
 - Early thoughts are this should be a high bar and shouldn't be a means to bypassing legislative requirements
-



Question 2

- Are you comfortable that you assist the scheme manager?
- Do you report to the scheme manager
- Are the right processes in place?
- Are you confident that risks are managed?
- Do you have the appropriate internal controls
- Do you understand the procedure for reporting and recording breaches?

**WOULD YOU DO ANYTHING DIFFERENTLY
FOLLOWING TRAINING?**

Lunch





**The
Pensions
Regulator**

Making workplace pensions work

Governance and Administration Survey 2018

Nick Gannon – Policy Lead

18 June 2019

Key processes

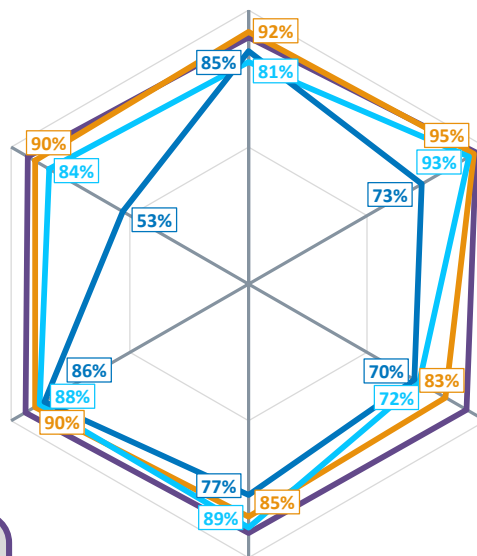


90% have documented policy to manage board members' conflicts of interest
(-2% from 2017)

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

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

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



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

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

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

* 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 all 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

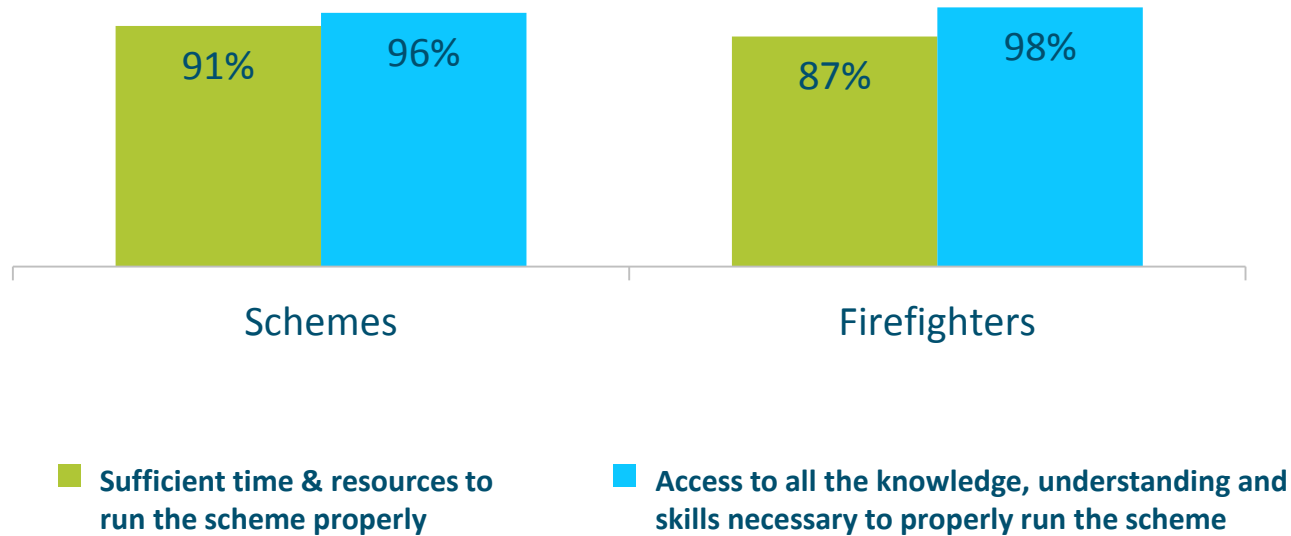
Pension board meetings in the last 12 months

		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)

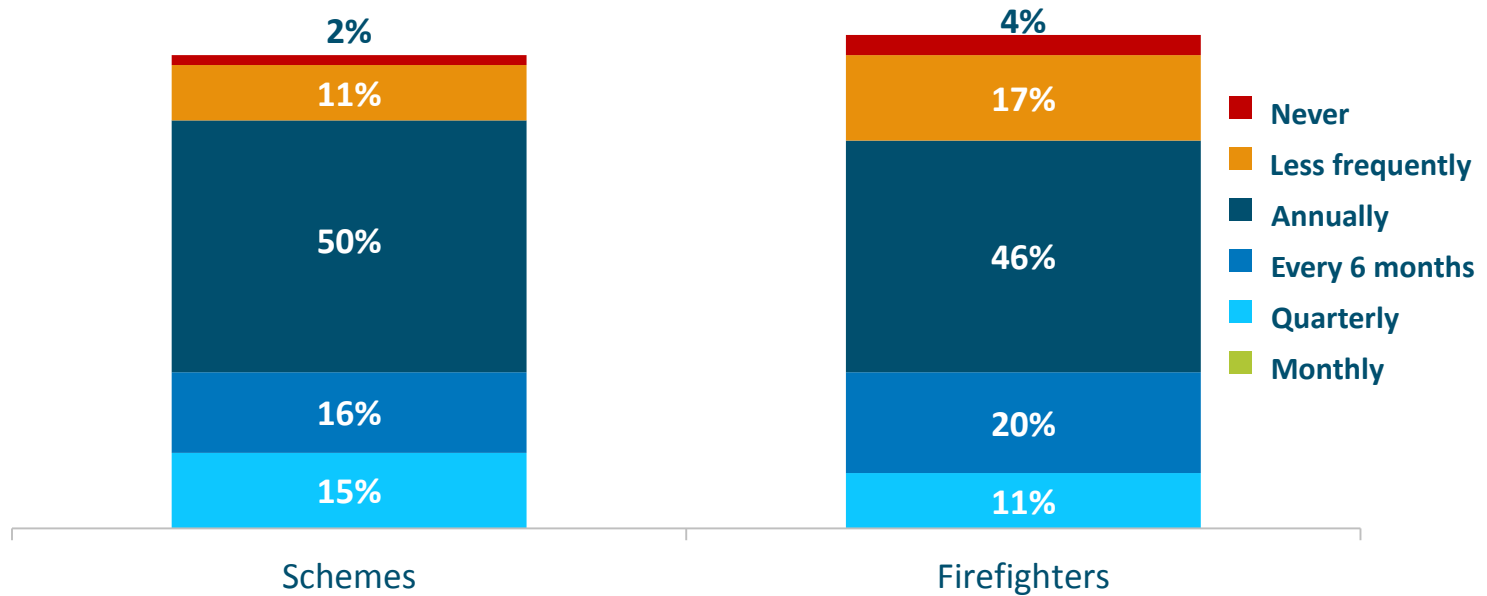
Scheme resources & knowledge

Do the scheme manager and pension board have...?



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?



Pension board composition (number and turnover)

	Fire- fighters
Current board members (mean)	5.1
Vacant positions (mean)	0.3
Board members that left in last 12 months (mean)	1.2
Board members appointed in last 12 months (mean)	1.1
Mean % of total positions that are vacant	6%
Mean % of total positions that left in last 12 months	21%
Mean % of total positions appointed in last 12 months	18%

Schemes with fewer current board members than specified by regulations

Overall 11 schemes reported that they had fewer current board members than specified by their respective regulations.

Firefighters

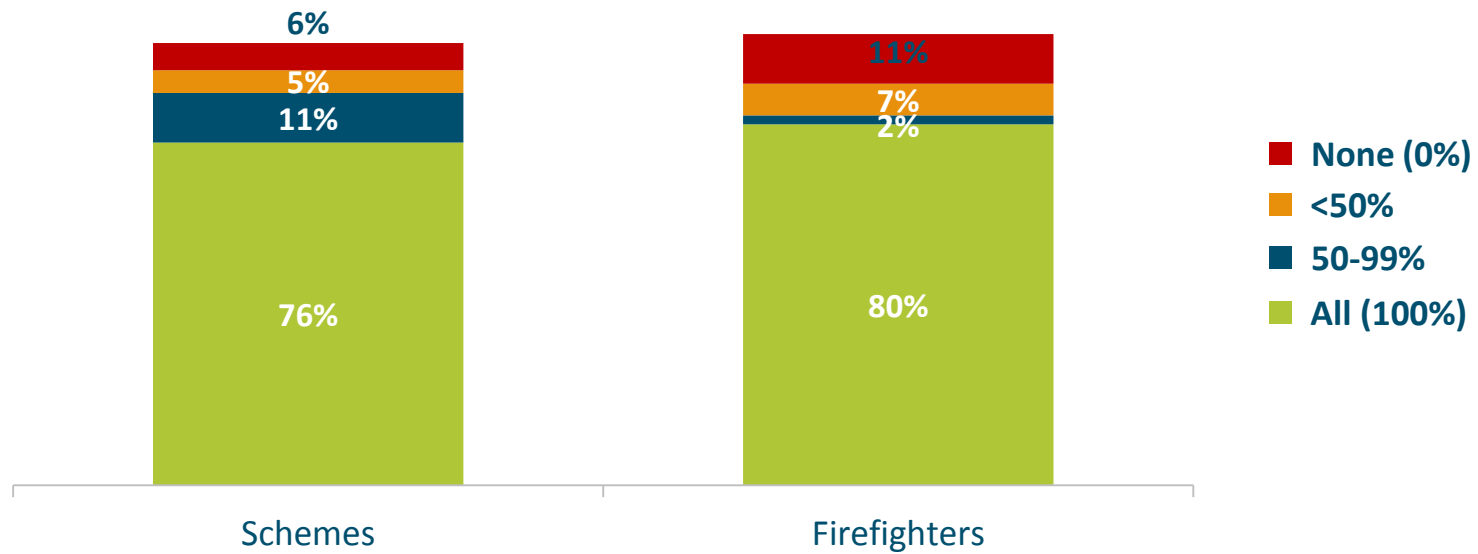
- Three schemes (7%) had fewer than the minimum 4 board members specified by the regulations;
 - two had 3 current members, and
 - one had 2 current members
- All three of these schemes had vacant positions and would meet the minimum requirement if these were filled

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 <u>at least every quarter</u> (in the last 12 months)	52% (+3%)	24% (-11%)

Coverage of administration at board meetings

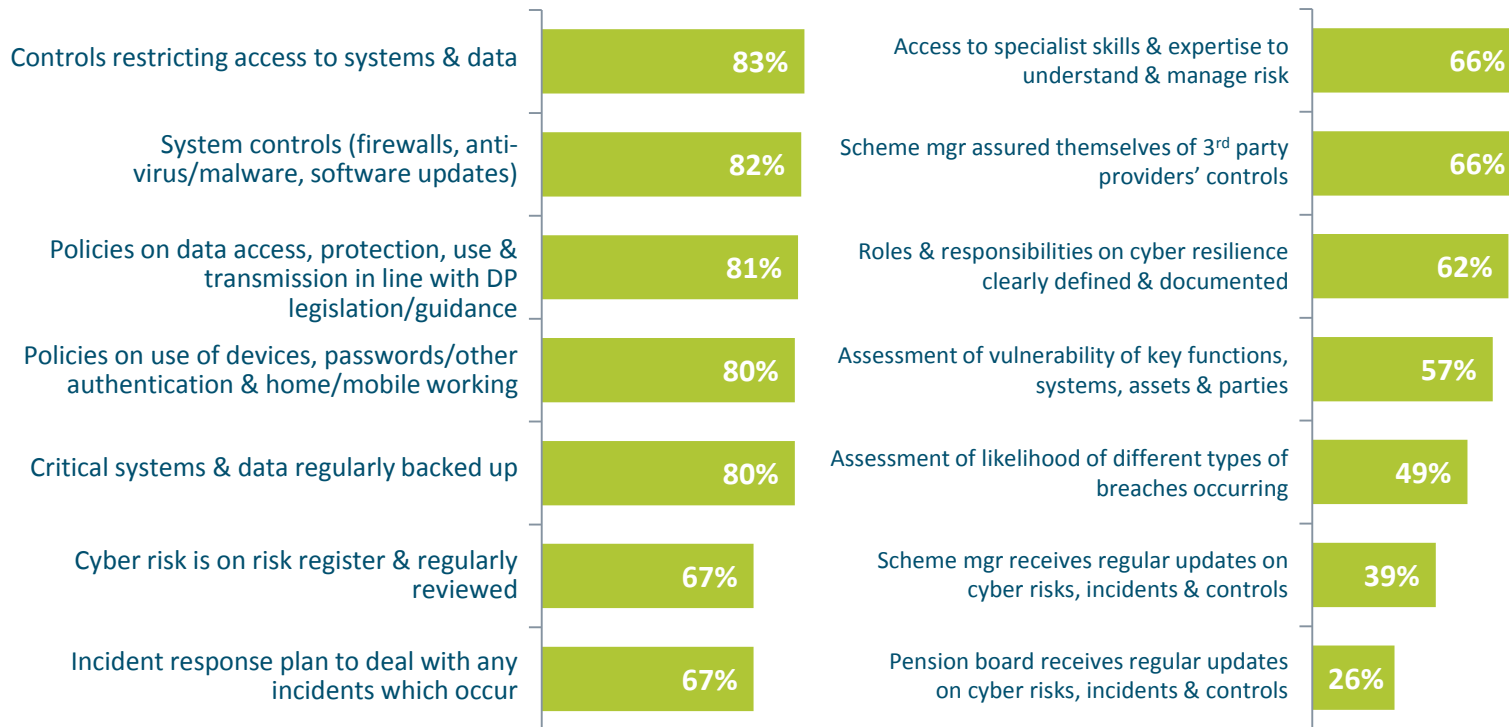


Provision of timely, accurate & complete data by employers

Proportion where at least <u>90%</u> of employers provide:	Schemes		Firefighters	
Timely data	65%	(+3%)	83%	(+12%)
Accurate/complete data	60%	(+5%)	76%	(+11%)
Submit data monthly	67%		61%	
Submit data electronically	77%		76%	

Protection against cyber risk (overall)

Which of the following controls does your scheme have in place to protect your data and assets from 'cyber risk'?



Protection against cyber risk

	Fire-fighters
Controls restricting access to systems & data	80%
System controls (firewalls, anti-virus/malware, software updates)	85%
Policies on data access, protection, use & transmission in line with DP legislation/guidance	83%
Policies on use of devices, passwords/other authentication & home/mobile working	80%
Critical systems & data regularly backed up	78%
Cyber risk is on risk register & regularly reviewed	72%
Incident response plan to deal with any incidents which occur	65%

	Fire-fighters
Scheme manager assured themselves of 3 rd party providers' controls	57%
Roles & responsibilities on cyber resilience clearly defined and documented	65%
Assessment of vulnerability of key functions, systems, assets & parties	61%
Assessment of likelihood of different types of breaches occurring	52%
Scheme manager receives regular updates on cyber risks, incidents & controls	35%
Pension board receives regular updates on cyber risks, incidents & controls	20%
Net: Any cyber risk controls in place	85%

Only 85% of firefighters' schemes report having some controls in place

Cyber security breaches/attacks in last 12 months

Have any of the following happened to your scheme (including at any outsourced administration provider) in the last 12 months?

	Fire-fighters
Staff receiving fraudulent emails or being directed to fraudulent websites	39%
Attacks that try to take down website/online services	22%
People impersonating scheme in emails/online	7%
Computers becoming infected with other viruses, spyware or malware	9%
Computers becoming infected with ransomware	4%
Unauthorised use of computers, networks or servers by staff, even if accidental	0%
Hacking/attempted hacking of online bank accounts	2%
Unauthorised use or hacking of computers, networks or servers by people outside scheme	0%
Any other types of cyber security breaches or attacks	2%
Net: Any cyber security breaches/attacks	48%

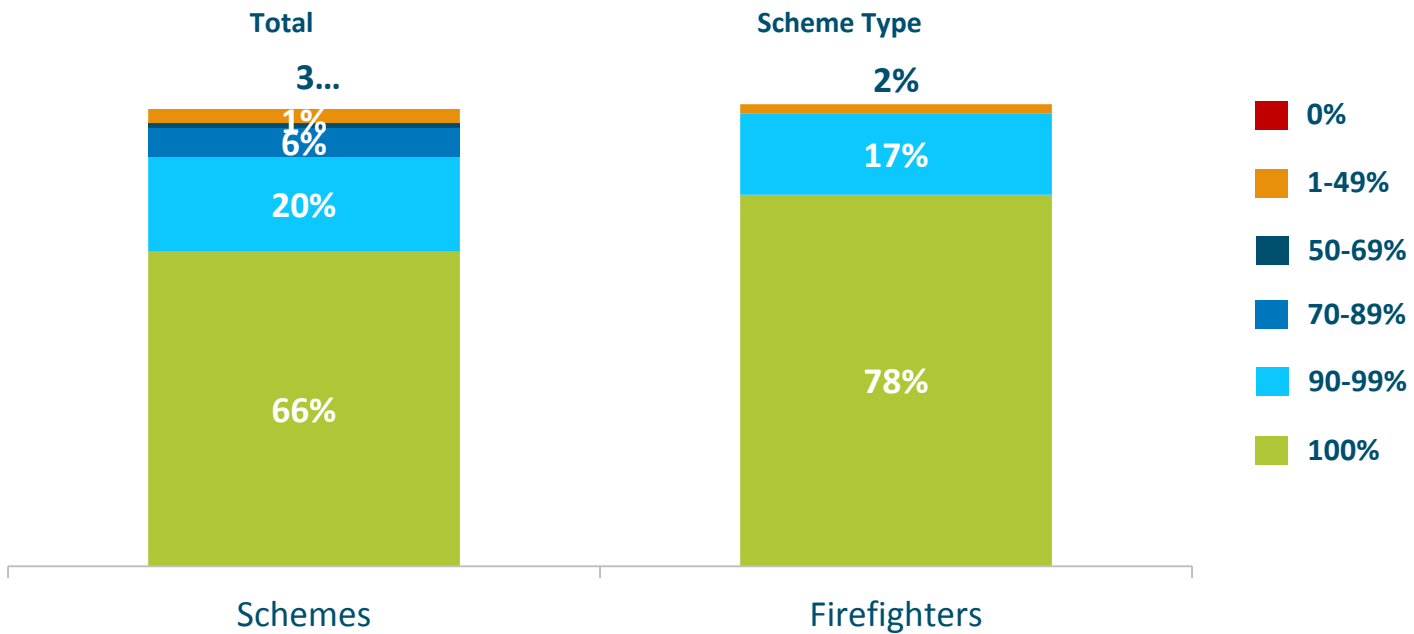
Impact of cyber security breaches/attacks (overall)

Thinking of all the cyber security breaches or attacks experienced by your scheme in the last 12 months, which, if any, of the following happened as a result? *(All experiencing any cyber security breaches/attacks)*



Meeting the ABS deadline

In 2018, what proportion of active members received their annual benefit statements by the statutory deadline?

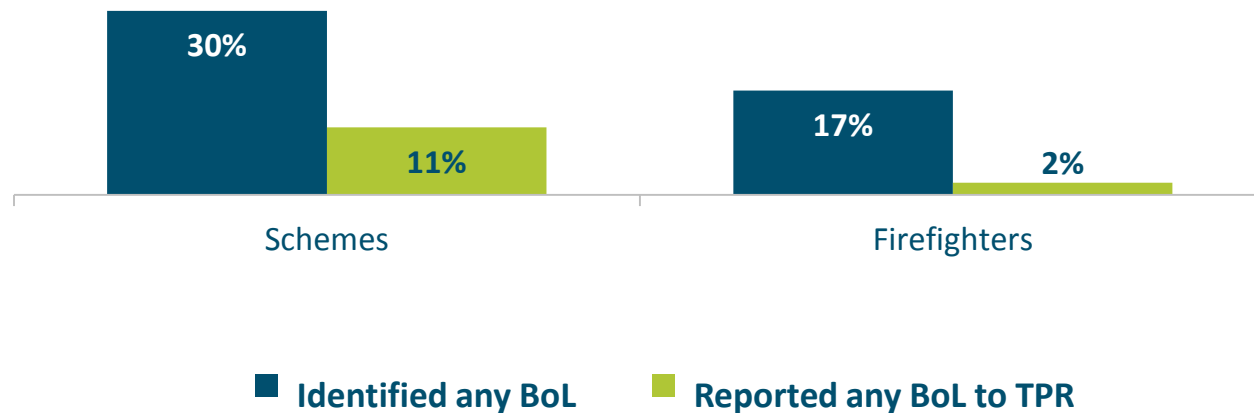


Number of complaints received (grossed up)

	Total schemes	Firefighters
Total memberships	16,882,497	115,841
Mean number of complaints	61	2
Total complaints (grossed up)	11,052	116
Share of all memberships	100%	1%
Share of all complaints	100%	1%
Complaints per 100 members	7	10
Complaints per 100 members (2017)	8	12

Firefighters' schemes have highest ratio of complaints to memberships
(10 per 100 members)

Breaches identified & reported in last 12 months
(excluding those related to annual benefit statements)



While 30% identified breaches, only 11% of schemes reported them to – firefighters’ and police schemes least likely to have done so

Barriers to improved governance & administration

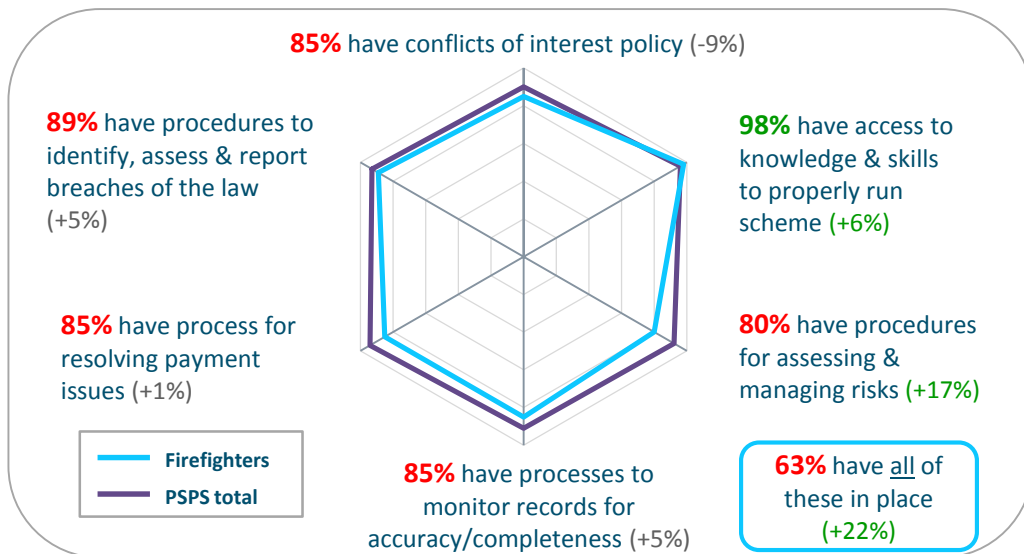
What are the main three barriers to improving the governance and administration of your scheme over the next 12 months?

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

Complexity of the scheme is most-quoted barrier by all scheme types

Firefighters schemes

Green/red figures indicate result is higher/lower than PS total (any difference)
 Bracketed figures on chart refer to % change from 2017 survey (statistically significant changes highlighted green/red)



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



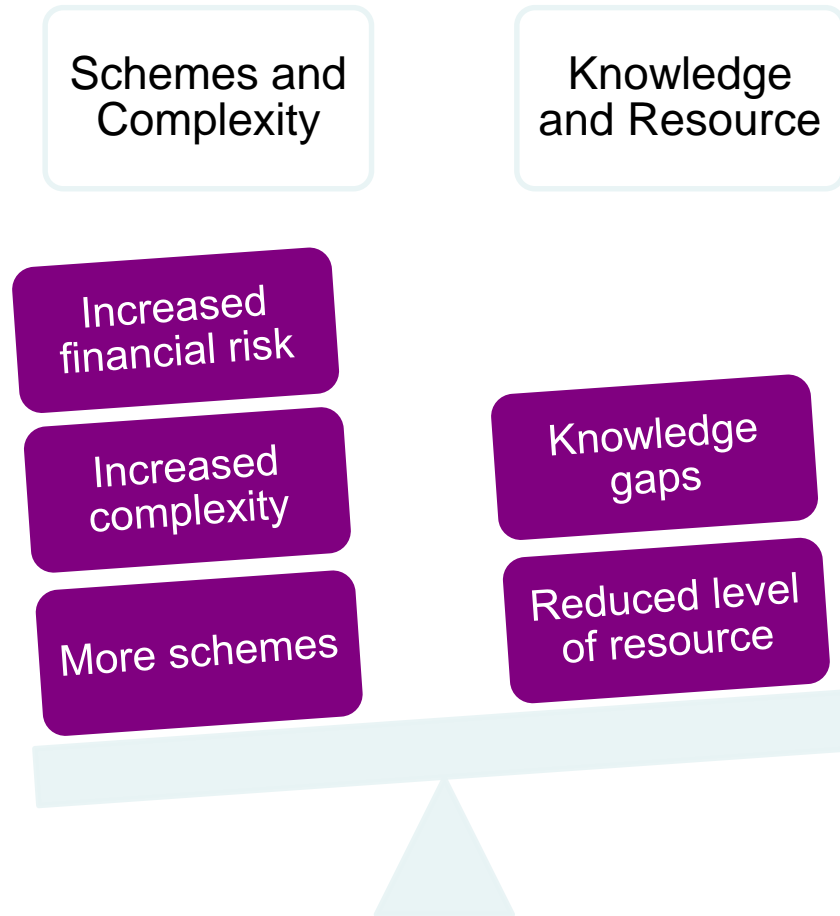
Question 3

- Have you reviewed your frequency of meetings?
- Do you have all of the six TPR processes in place?
- Do you have access to knowledge and understanding?
- What do you think are the main barriers to good governance?

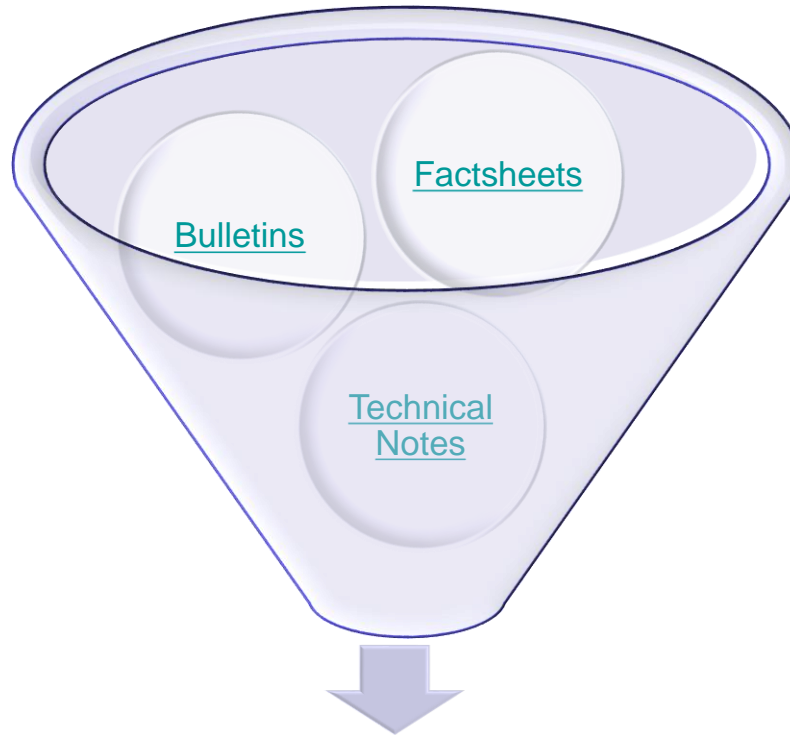
**WOULD YOU DO ANYTHING DIFFERENTLY
FOLLOWING TRAINING?**

Pension Boards – Next Steps

Getting the right balance

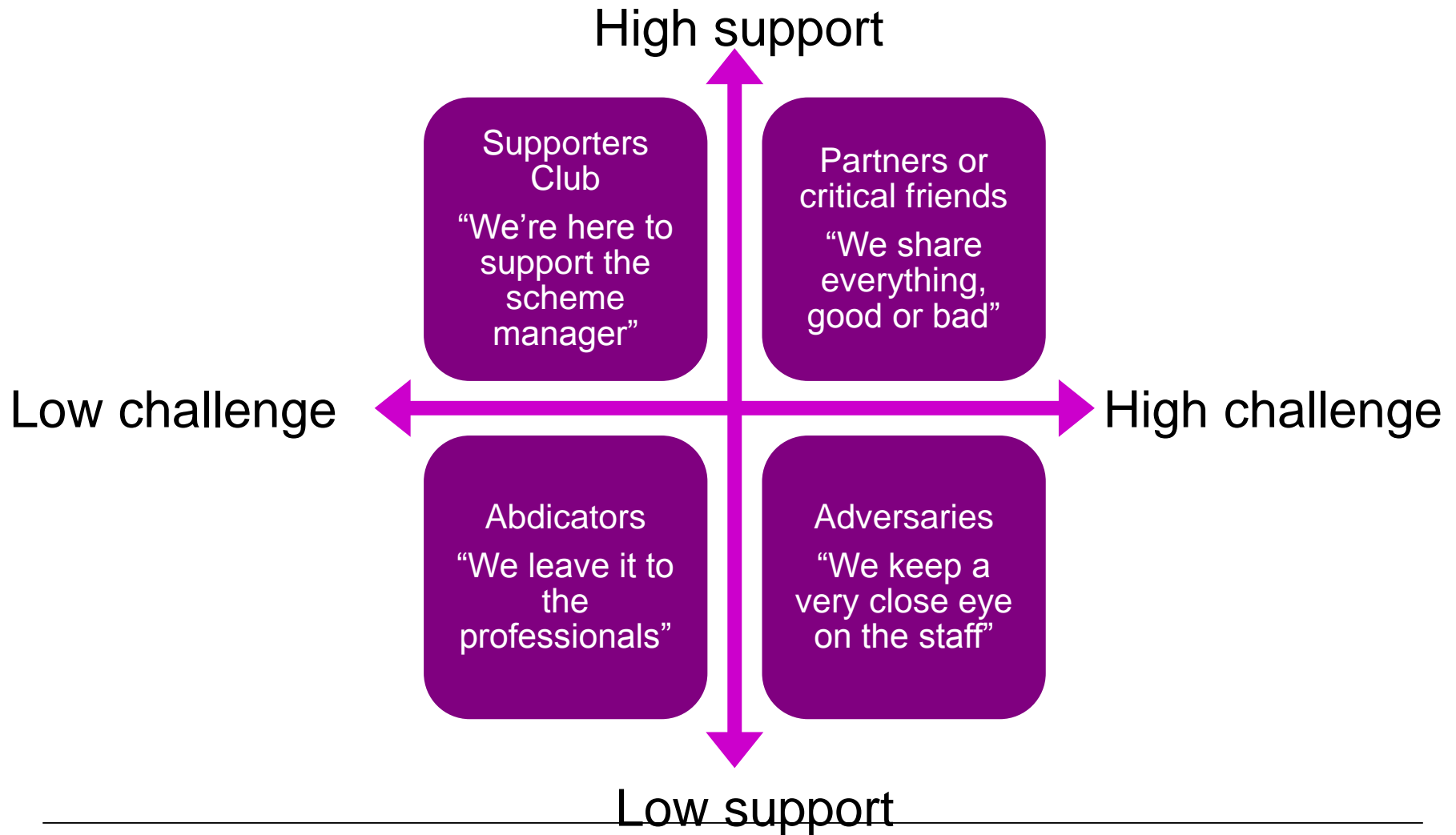


Actions

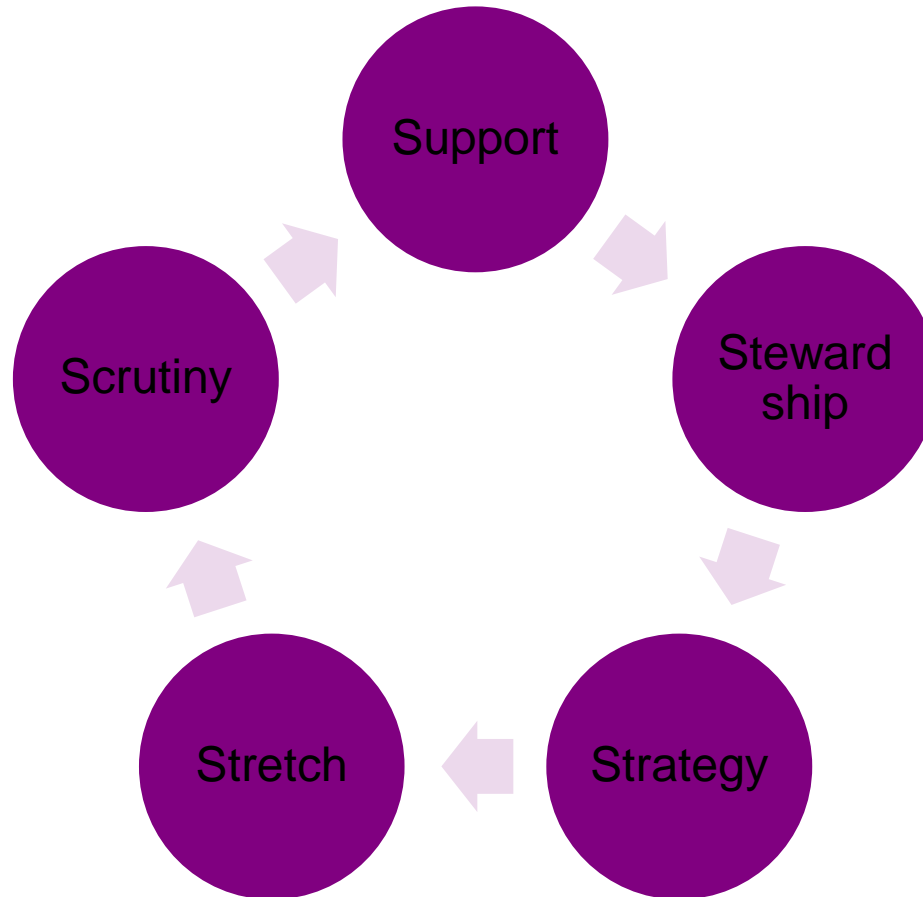


**Scheme Manager /
Pension Board Chair**

Behaviours of a high performing board



The five S's in governance



Support

- To encourage the scheme manager, boards in support say;
 - Have you got what you need to do that?
 - We ought to celebrate that?
-

Stewardship

- To protect and conserve their assets; boards guarding access to knowledge and a good name say;
 - Will we still have the knowledge in five years time?
 - If a resource was removed would a risk be introduced?
-

Strategy

- Before making big decisions, boards listen to what others have to say, they consult experts and their stakeholders, and then say;
 - Where could we be in five years time?
 - What do we want to achieve?
-

Stretch

- To challenge and improve an organisation, boards that are stretching say;
 - How can we improve?
 - Have we thought of doing it differently?
-

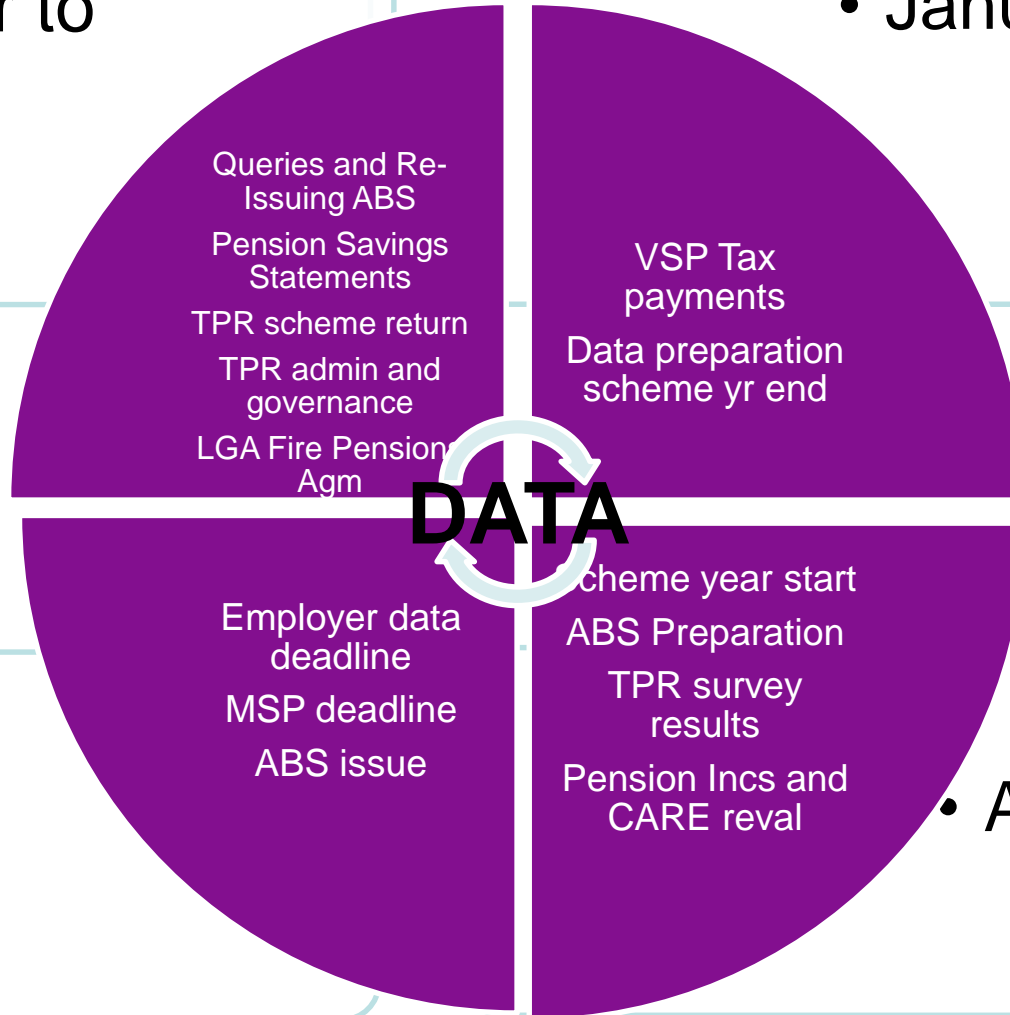
Scrutiny

- To assist the scheme manager by ensuring compliance with regulations, boards that are scrutinising or examining processes say;
 - What alternatives did you consider and why?
 - What regulations or case-law did you use to make your decision and why?
 - Have you followed guidance
 - What is someone else doing?
-

Scheme Year Cycle

• September to December

• January to March



• June to August

• April to June

Risk

Regulatory and Compliance	Financial	Operational
Non compliance with TPR	Excessive Charges	Member Data
Failure to interpret regulations	Pension Fund accounting mistakes	Administrative failures
Failure to comply with disclosure requirements	Authority costs due to failure to apply scheme / tax rule correctly	Premises
Failure to communicate with scheme members	Failure to deduct correct employee contributions	Software
	Fraud	Workforce planning

Regular assessment?

Risk is a driver for improvement



TPR Assessment Tool

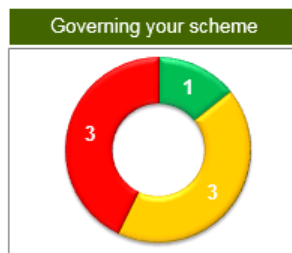
Results

Using this report

In this report we have provided an indicative risk rating for each answer you selected, alongside some guidance and links to additional information. This report does not provide an assessment of compliance with the law – it indicates areas that might be of particular concern and where you may wish to focus. You should seek legal advice where required.

To minimise the risk of non-compliance with the law, you should conduct a comprehensive review of your scheme against the requirements set out in the legislation and the guidance provided in our code of practice. Statistics refer to findings from TPR's 2015 survey into the Governance and Administration of Public Service Schemes.

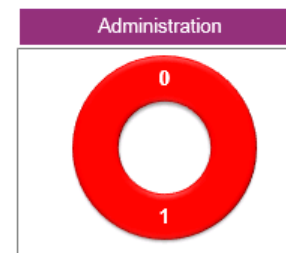
A summary of your results



Percentage of questions answered: **88%**



Percentage of questions answered: **17%**



Percentage of questions answered: **13%**

How are you doing?

	Governing your scheme	Managing risks and issues (internal controls)	Administration
Low			
Medium			
High			

Health Check

Actions for boards

- Risk Register
 - Breaches Policy
 - Internal Controls – questions for boards
 - Scheme Manager Delegation is it working for you?
 - Data –does your board have answers to key questions?
 - Review key processes and documents – nomination and selection policy
 - Training, what works for you?
-

What's on your agendas?

Recommended Agenda items

- Latest bulletin
 - Events
 - Survey responses
 - Consideration of Breaches
 - Scheme Manager Report
 - Updates on
 - Data Improvement
 - ABS cycle
 - Recommended actions in bulletin
 - [Template agenda](#)
-

Reporting

What makes a good report

- Membership and meetings of board
- Local arrangements
- Board assessments
- Identified Risks and Mitigation
- Recorded Breaches
- Data Review
- Annual Workplan and reviews
- Training
- Expenses and Costs
- Recommendations
- [Example annual report – Notts FRS LPB](#)



Question 4

- Do you perform an annual assessment?
- Have you reviewed your Terms of Reference recently? Examples of ToRs [here](#)
- Do you have an annual workplan based on assessment?
- Does the LPB have the right relationship with scheme manager -regular reports, catch ups?

WOULD YOU DO ANYTHING DIFFERENTLY FOLLOWING TRAINING?

And finally...

Current and future landscape

- 2016 valuation results
- Cost Cap breached, then paused
- Pension discrimination case
- Public Sector Pensions Tax
- Data Scoring and Reconciliation
- Amendment Orders 2018 & 2019
- Exit Cap
- Dashboards
- SAB Benchmarking Project



2016 Valuation Results

September
2018

- Draft results published
- Consultation with SAB

15 February
2019

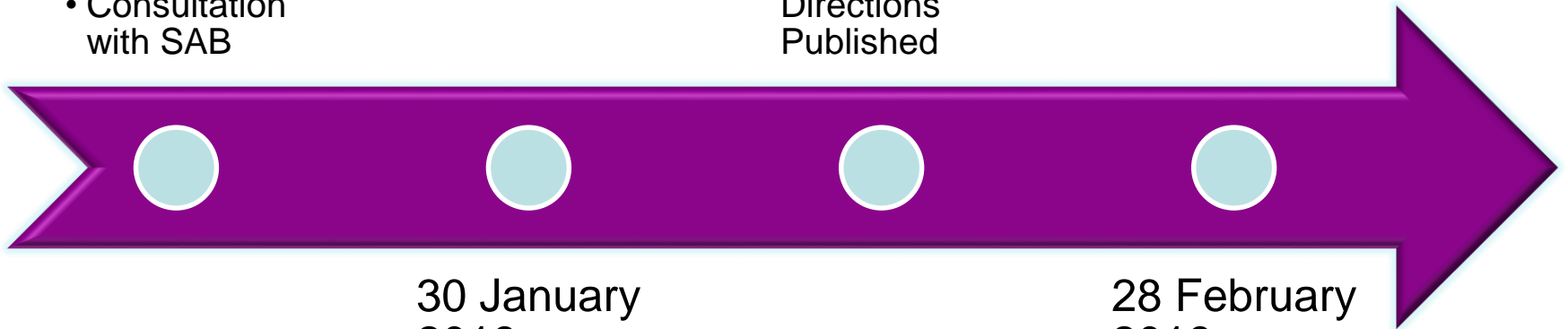
- Treasury Directions Published

30 January
2019

- Written Ministerial Statement

28 February
2019

- Valuation published



Employer Contributions

- Employer Contribution Rates increased

	1992	2006	2015	Average
2012	21.7%	11.9%	14.3%	17.6%
2016	37.3%	27.4%	28.8%	30.2%

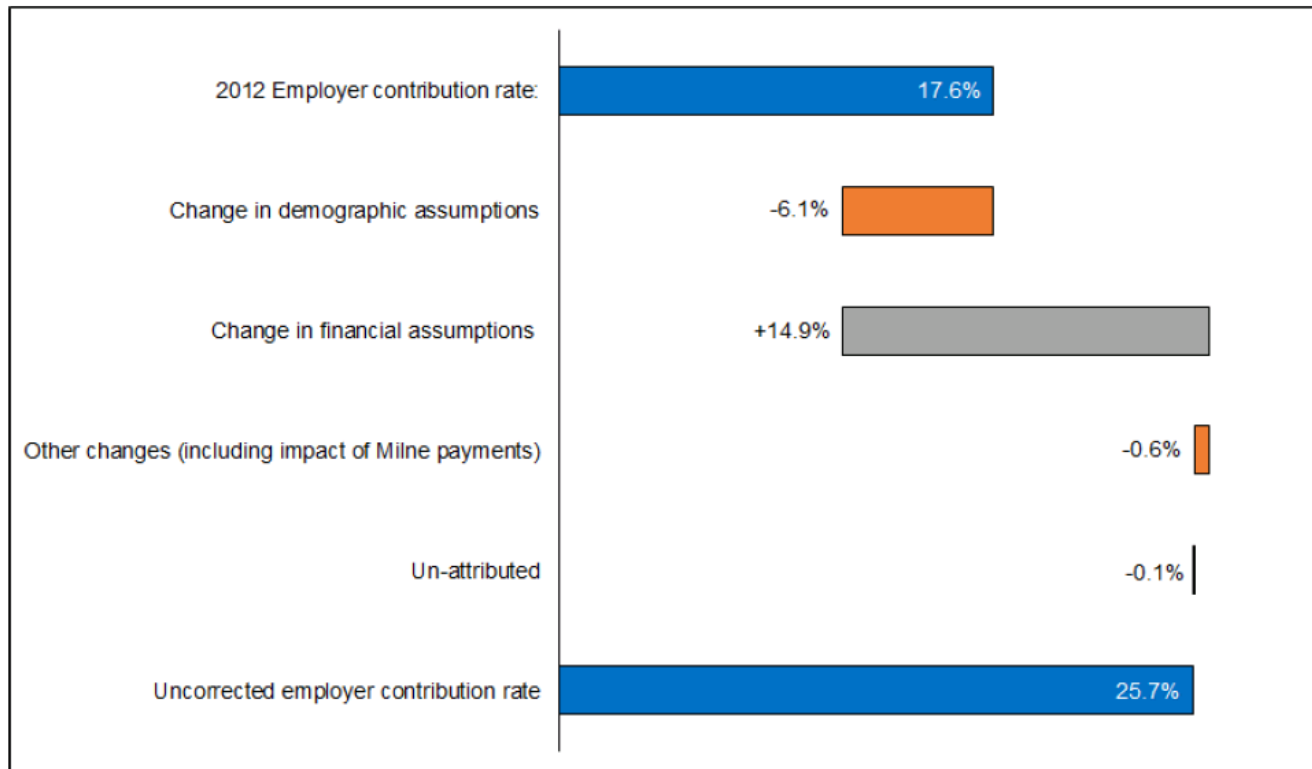


2016 Valuation - Employer contribution rate

- > The output of the 2016 valuation will be an updated employer contribution rate
- > Expected to apply from April 2019 to March 2023
- > Will allow for:
 - > Change to the interest rate (the SCAPE rate)
 - > Changes to salary growth, and other financial assumptions, set by HMT
 - > Latest mortality projections by ONS
 - > Impact of recent membership movements
 - > Changes to fire specific assumptions to adjust for recent experience in the Fire Scheme, eg retirement patterns, life expectancies

Employer Contributions – Main Impact

Chart 2.1: Difference between uncorrected employer contribution rate and employer contribution rate calculated at previous valuation (% of pensionable pay)



SCAPE Discount Rate

- [Budget 2016](#), discount rate reduced from 3% to 2.8%
 - [Budget 2018](#) reduces to 2.4% from 1 April 2019
-

Employer contributions

- Include
 - Milne Costs
 - Special Members of the 2006 Scheme
 - SAB consultation [response](#) dated 31 July 2017

“The Scheme Advisory Board’s firm view is that the cost of the Milne payments should not be reflected in the employer contribution rate. This should be considered a government cost.”
-

Cost Cap Cost

- The employer cost cap target of 16.8% was calculated at 11.6% for 2016, which triggers the mechanism for improvement.



Cost cap mechanism

- > What is it?
 - > A cost control mechanism introduced by HMT
 - > To maintain the cost of the fire scheme at a similar level to when the 2015 Scheme was introduced
 - > Monitored at each actuarial valuation
- > How is it expressed?
 - > A baseline cost was established at the 2012 valuation being **16.8%** of pensionable pay.
 - > Equates to the employer's share of the cost of the 2015 Scheme
- > Calculated in a different way to the employer contribution rate
 - > Assumes all active members are in the 2015 scheme

Cost Cap Results – Main Impacts

Chart 2.4: Employer contribution correction cost compared with the proposed employer cost cap (% of pensionable pay)

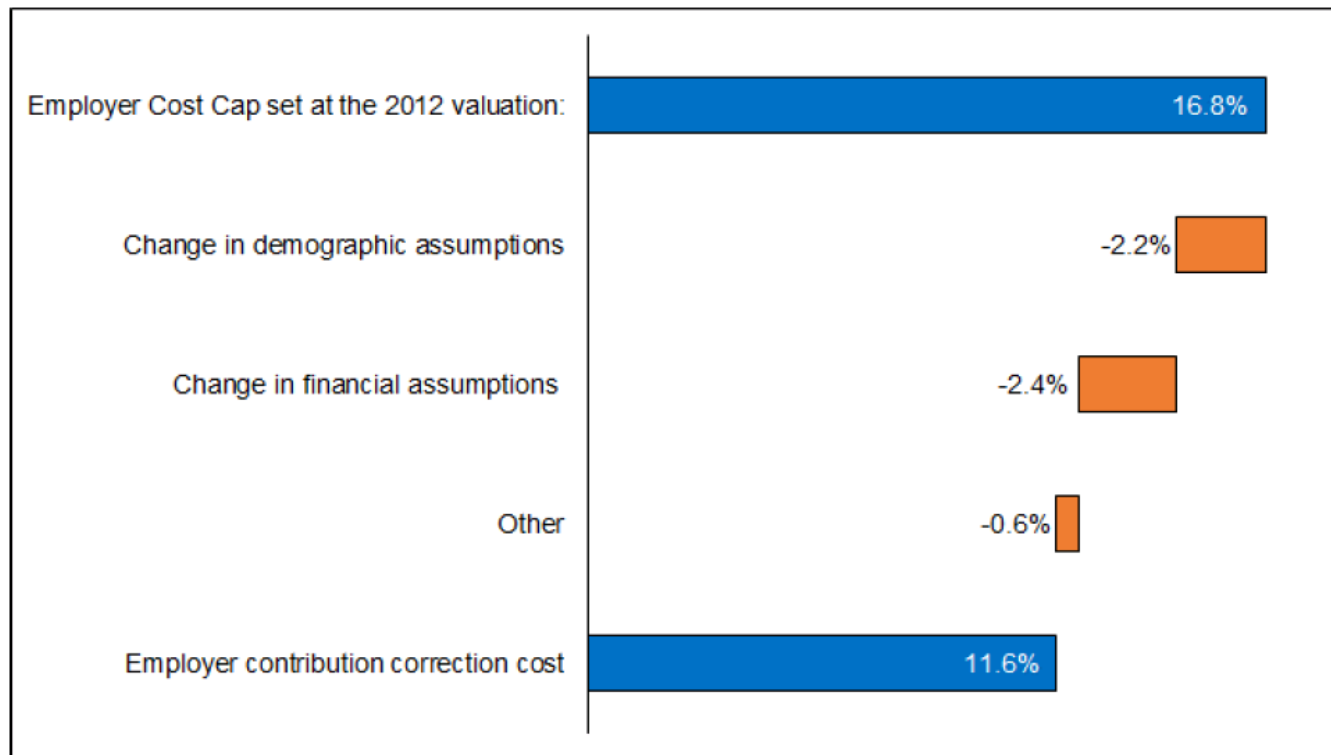


Chart 2.4

Cost Cap Process

- FPS [Scheme Advisory Board](#) consulted on changes to the scheme design for the 2015 scheme to align member costs to the target cost cap of 16.8%
 - The default mechanism if agreement cannot be reached is to change the accrual rate of the scheme, the **indicative** rate of this accrual rate change would be 1/51.2
 - [Written Ministerial Statement](#) on 30 January 2019 pauses the cost cap process
-

2015 Scheme Pension Pot – 1/59.7ths

Date from	Date to	Account Balance	Reval rate	Opening Balance	Actual Pay	Pension Build Up	Closing Balance
01/04/2015	31/03/2016	£0.00		£0.00	£29,850	£500	£500
01/04/2016	31/03/2017	£500	2%	£510	£30,500	£510.89	£1020.89
01/04/2017	31/03/2018	£1020.89	2.6%	£1047.43	£32,000	£536.01	£1,583.44
01/04/2018	31/03/2019	£1,583.44	2%	£1615.11	£32,700	£547.74	£2,162.85
01/04/2019	31/03/2020	£2,162.85	4%	£2249.37	£33,600	£562.81	£2,815.18
01/04/2020	31/03/2021	£2,815.18	1%	£2840.30	£35,000	£586.26	£3426.57
01/04/2021	31/03/2022	£3426.57	3%	£3529.36	£35,900	£601.34	£4,130.70
01/04/2022	01/04/2023	£4,130.70	2%	£4213.32	£36,500	£611.39	£4,824.71

What would improvements look like?

Date from	Date to	Account Balance	Reval rate	Opening Balance	Actual Pay	Pension Build Up	Closing Balance
01/04/2015	31/03/2016	£0.00		£0.00	£29,850	£500	£500
01/04/2016	31/03/2017	£500	2%	£500	£30,500	£510.89	£1020.89
01/04/2017	31/03/2018	£1020.89	2.6%	£1041.13	£32,000	£536.01	£1,583.44
01/04/2018	31/03/2019	£1,583.44	2%	£1,615.11	£32,700	£547.74	£2,162.85
01/04/2019	31/03/2020	£2,162.85	4%	£2,249.37	£33,600	£656.25	£2,905.62
01/04/2020	31/03/2021	£2,905.62	3%	£2,934.67	£35,000	£683.59	£3,618.27
01/04/2021	31/03/2022	£3,618.27	3%	£3,726.81	£35,900	£701.17	£4,427.99
01/04/2022	01/04/2023	£4,427.99	2%	£4,516.55	£36,500	£712.89	£5,229.44

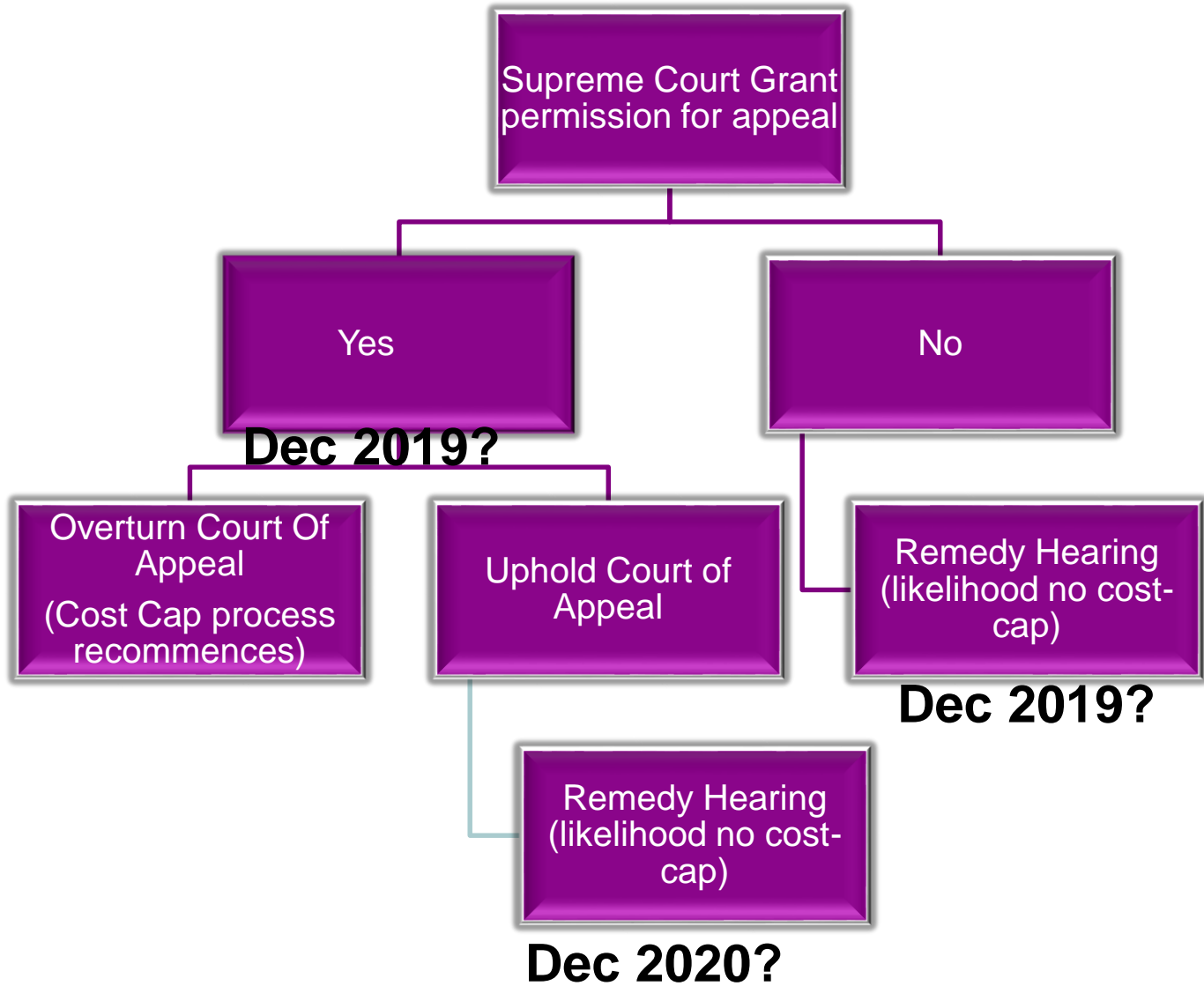
Paused

Default improvement is to amend the accrual rate to 1/51.2

The transitional protections challenge

- Is it a proportionate means to achieving a legitimate aim?

	ET – Nov 2016		ETA – Dec 2017		CoA – Nov 2018	
	Judges	Fire	Fire	Judges	Fire	Judges
Legitimate aim	No	Yes	Yes	No	No	No
Proportionate means	No	Yes	Needs to be re-tested under UK law	No	No	No



- The case is on the transitional provisions of the 2015 scheme.
 - It is these provisions that allowed certain members by virtue of age to have benefits calculated under the 1992 scheme
 - The primary legislation which restricts the continuing provision of final salary schemes has not been challenged
-

What is remedy?

1. How should the transitional provisions be made lawful going forward?
 2. How do you compensate taper protected and unprotected members who have been subject to those provisions since 1st April 2015
-

Public Sector Pensions Tax

- How well do you feel you understand pensions tax?
 - Do you have a VSP policy?
 - How do you support staff understanding their individual responsibilities?
 - SAB collecting information, have you responded?
-

Data scoring

- Data underpins everything in pensions – how good is yours?
 - From the 2018 scheme return TPR are asking schemes to provide their scheme specific data score
 - [Data Scoring Guidance](#)
 - TPR Data Measuring [Guidance](#)
 - [Data: Pensions in a digital era](#)
-

Reconciliation Stages

Stage 1

- Request HMRC Data and perform initial analysis

Stage 2

- Reconcile

Stage 3

- Update Scheme Data
-

Survivor benefits – Court Judgments

- [‘Brewster’](#) – Nomination of cohabiting partner
 - Amended by 2018 amendment order removing requirement to nominate
 - [Walker](#) – Same Sex marriage / Civil Partner Survivors pension
 - Amended by 2019 amendment orders
-

Amendment Order 2018 – Technical Note

1. To ensure that the indexation of two pensions is understood and properly applied.
 2. To ensure a policy is in place for exercising VSP and that Firefighters are aware of how they would request any tax charge to be paid.
 3. To ensure that members in the 2006 scheme are communicated to with regards to nomination requirements.
-

Amendment Order 2019 – Technical Note

1. Makes minor amendments to two pension rule.
 2. Removes the limitation on service used for the calculations of an award for a surviving civil partner / same-sex marriage. Will require Fire Authority to –
 - Identify members of the scheme who may be affected by the changes
 - Identify deaths and make retrospective payments that may be due to the estate
 - Identify whether qualifying members have transferred out benefits and whether further retrospective payments are due.
 3. LGA response to consultation
-

£95k Exit Cap

- Consultation now [open](#) – runs to 3 July 2019
- Enhanced Commutation
- Authority initiated early retirement

Guidance for green book staff who are members of the Local Government Pension Scheme (LGPS) is available in the [LGPS library](#)
Guidance for the Fire Pension Scheme is available [here](#)

Are you dashboard ready?

- A platform to allow savers to view all their pension pots through a single portal.
- DWP have [consulted](#) on dashboards. To be compulsory but public sector expected not to join for 3 / 4 years.
- LGA [response](#) to consultation
- Further information can be found on <https://pensionsdashboardproject.uk/>

What we know

Firefighters' Pension Schemes Regulations and Guidance



Source: www.fprsregs.org/



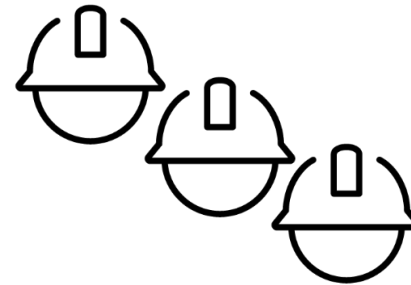
Member contributions: 8.5% to 17% of pay
Employer contributions: 14.3% to 21.7% of pay

What we don't know

How much are scheme management costs?
How effective is scheme administration?

	Total
Number of pensioners	41,731
Total deferred members	12,161
Active regular members	22,944
Active retained members	8,440

Source: Home Office, Fire statistics Table 1304



45 Fire
authorities

The purpose of the review



How effective is scheme administration?

- Do members receive a good service?
- Are the right benefits paid at the right time?



What are the costs of running the scheme?

- Explicit costs
- Implicit costs
- “Extra” costs



Are there any themes / patterns?



Could anything be done differently/better?

No preconceptions, no naming and shaming



Question 5

- Do you have any tax challenges?
- Who leads your approach to communicating to members?
- Are you confident actions are taken appropriately following amendment orders?
- Are you aware who responded to the benchmark survey?

WOULD YOU DO ANYTHING DIFFERENTLY FOLLOWING TRAINING?

Any questions



Resources

- www.fpsboard.org
 - www.fpsregs.org
 - [Monthly bulletins](#)
 - [Local Pension Board Resources](#)
 - [SAB Minutes](#)
 - [Regulations](#)
 - [GAD Guidance](#)
-

➤ **2019 Events and training**

Ill-Health Workshop	19 June 2019
Pensionable Pay Workshop	18 July 2019
AGM	24 & 25 September 2019
Tax	12 November 2019

For booking links when available see [here](#)

Please complete our [training survey](#)

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 - **Readers should take their own legal advice on the interpretation of any particular piece of legislation.**
 - **No responsibility whatsoever will be assumed by LGA or their partners for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in these slides.**
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Thank you for listening!

claire.hey@local.gov.uk

Mobile: 07825 731 924

Office: 020 7664 3205

Bluelight.pensions@local.gov.uk

www.fpsboard.org & www.fpsregs.org

Clair.Alcock@local.gov.uk

Mobile: 07958 749056

Office: 020 7664 3189

Bluelight.pensions@local.gov.uk

www.fpsboard.org & www.fpsregs.org