



# Firefighters' Pensions England

Scheme Advisory Board

## LPB EFFECTIVENESS COMMITTEE

### **ACTIONS AND AGREEMENTS**

**Thursday 19 April 2018**

Derbyshire Fire & Rescue Service, Butterley Hall, Ripley, Derby DE5 3RS

### **PRESENT**

Tristan Ashby (TA)	Chair
Clair Alcock (CA)	LGA
Dave Limer (DL)	SAB Scheme member representative
Ian Howe (IH)	Technical/ Admin representative (Leics CC)
Debbie Yeates (DY)	FRA/ HR representative (Lincolnshire)
Simon Allsop (SA)	FRA/ Finance representative (Derbyshire)
Claire Hey (CH)	LGA – Board secretariat

### **1. Introductions**

1.1. Introductions were made around the room. Apologies were received from Malcolm Eastwood and Stuart Wilson.

### **2. Chair's welcome**

2.1. TA welcomed all to the meeting and thanked all for attending.

### **3. Review previous actions (31 January 2018)**

*i. List FRAs who did respond when drafting the findings report, to highlight any gaps.*

3.1. A list of FRAs who completed the survey was attached as an appendix to the research report. A query from Hereford and Worcester FRA was noted, that they had completed the survey, but their responses had not been captured and included. TA asked whether any other queries had been received. CH confirmed that no other questions or comments had arisen.

3.2. CA commented that this may highlight that communications are not yet reaching the correct audience. DL asked who the research report was sent to and whether there was any way of confirming that it had been forwarded to

the relevant individual. TA noted that as the appropriate individual presumably holds a position of responsibility, they should not need to be chased up.

3.3. SA queried whether a monitoring officer is needed and suggested that scheme governance could be added to the annual FRA governance statement of assurance, or included within accounting procedures.

3.4. CA remarked that this will be drawn out at the forthcoming governance events and it will be recommended that boards self-assess against the survey results at their next meeting, which will lead to natural development of workplan items.

*ii. Provide analysis and draft report to the committee, based on the agreed actions in appendix 1*

3.5. Analysis and draft report produced. Final version issued with FPS bulletin 6 in March.

*iii. CA to send breach assessment template to IH in Word format, for amendment of assessment table to include materiality.*

3.6. IH had shared breach template with the three Midlands LPBs, and they are happy with current version. Addition of a materiality matrix is felt to be unnecessary at this time, therefore the group agreed to distribute the existing template and monitor use.

3.7. DY asked whether the Scheme Advisory Board (SAB) receive notification of breaches. CA confirmed not, except in early 2016 regarding the Annual Benefit Statements (ABS). DY stated that it would be helpful to know what other trends/ issues are being identified through breach reporting, as information is only received from the Pensions Regulator (TPR) on an annual basis.

3.8. CA commented that the template may assist in leading boards through the breach assessment process and should be included in their annual reports. DY remarked that this again is only on a yearly basis. CA will pick up with TPR regarding provision of anonymised breach themes and consider appropriate guidance which can be issued to FRAs.

3.9. DY remarked that TPR have an obligation to assist boards by providing this type of information. SA added that there is a correlation of the risk register with the breach assessment template, and the quality of narrative is important.

**Action:**

**i. CH to add breach assessment template to LPB area of SAB website.**

**ii. CA to contact TPR regarding provision of anonymised breach information.**

*iv. CA to contact Becky Smeathers at Notts regarding use of annual report as an example for other boards.*

3.10. IH has checked with Nottinghamshire that they are happy to share the LPB annual report and will forward to CA/ CH to use as an example of best practice.

#### **4. LPB survey research report**

- 4.1. DY asked what action the group can take to promote the recommendations made in the report. DL suggested adding the survey and report to board agendas. TA agreed that a discussion around following up on recommendations should be added.
- 4.2. SA queried whether there is a possibility of liaison with TPR and influencing their inspection routine based on the survey findings. CA confirmed that the research report has been shared with TPR. The TPR Governance & Administration survey questions do not focus on adding value; the SAB survey drills down into board effectiveness by, for example, using rating scores for processes. It was agreed that the current questions should be expanded for future surveys.
- 4.3. IH commented that boards need to feel satisfied that they have taken all necessary steps to comply with legislation, so that if TPR were to take enforcement action against Fire schemes, all boards are not implicated. IH suggested an email be sent to scheme managers, recommending consideration of the report, and that this is tabled and documented.
- 4.4. CA confirmed that boards only need to demonstrate consideration, not that they are necessarily adopting the recommendations. For example, the regulations do not stipulate that turnover of board members has to take place simultaneously, it can be done on a rolling basis of a certain percentage at intervals. IH confirmed this process is in place at Leicestershire FRA.
- 4.5. SA suggested that guidance on retention would be helpful and proposed that awareness of the SAB's work on governance could be promoted through liaison with CIPFA or NAO.

**Action:**

- iii. SA to contact CIPFA/ NAO regarding promotion of the SAB's work.**

- 4.6. CA summarised progression of this item by confirming that an article will be placed in a future FPS bulletin. The team are hosting two forthcoming governance events and also offer general board training sessions. Resources to assist boards are available on the [LPB page](#) of the SAB website and a sample agenda will be added to this section. TA confirmed he is happy with the content of the report and the proposals to progress recommendations.

**Action:**

- iv. CH to add sample agenda to LPB area of SAB website.**

#### **5. TPR Governance & Administration survey update**

- 5.1. TPR were unfortunately unable to attend the meeting due to late scheduling, however, CA recently met with the industry liaison team and was able to provide an update.

- 5.2. There is a discrepancy over the response rate, as the results show that 49 of 51 FRAs responded (96%). Yet, there are only 49 FRAs in the UK, which would indicate a 100% response rate. Only 70-80% of the overall results are attributed, which makes it hard for TPR to drill down and identify non-respondents (for other Public Service schemes).
- 5.3. DY queried whether there is any chance of duplication, as the SAB survey included multiple responses from some FRAs. CA remarked that this should not occur as the TPR survey is sent via a password protected link. There is no facility to print the completed survey, which would be helpful for FRAs particularly to self-assess against the results, and this has been fed back to TPR.
- 5.4. CA noted an increase of 36% in boards with risk registers, as a direct result of the SAB's work and LGA training. The SAB survey shows a correlation between having a risk register in place and then taking action to drive improvement. The percentage of boards identifying breaches has decreased, due to an improved ABS process, with 70% confirming that ABSs were issued on time. CA considered whether the group would rather the statements were on time or accurate. DY confirmed that Lincolnshire FRA has decided to breach, due to inaccuracy of payroll data.
- 5.5. This raised the question of materiality. IH highlighted the example of 95% of ABSs being issued on time and the importance of establishing the reason behind the remaining 5%, allowing the identification of common themes such as the retained modified scheme which can then be taken forward to software suppliers. SA commented that the 5% breach may also not be reflective of poor service, as the FRA/ administrator may have been in regular contact with the affected member/s throughout the year; the quality of administration is also important.
- 5.6. CA asked the group for opinions on commissioning an ABS 2018 survey from the web design company who hosted the LPB survey, rather than using free online software.
- 5.7. IH agreed that if ABSs are the main cause of breaches this should be pursued. IH asked whether the survey could be expanded to include active and deferred members, the 3 scheme tranches and special members, plus some assessment of time and resource cost, for FRAs/ administrators to benchmark against.
- 5.8. CA noted that administrators may not be aware that deferred ABSs are a legal requirement for FPS2006 and FPS2015. However, this ties in with GDPR and the opportunity to send privacy notices to deferred members. IH remarked that statements should be sent to FPS1992 members also as a matter of good practice.

5.9. DY commented that a more in-depth survey would be useful for LPBs. TA agreed that as data quality is key and considering the relatively small cost of the LPB survey, a survey should be commissioned for ABS 2018.

**Action:**

- v. **CH to add deferred ABS to Fire Communications Working Group agenda.**
- vi. **CA and CH to work with IH to collate a draft ABS survey to be presented at the next meeting.**

5.10. CH highlighted that FRAs had identified their top risk as securing compliance with regulations at 57%. DY commented that this was very generalised and CA confirmed that TPR will be amending the future surveys to be more specific. SA stated that by drawing out details, themes such as pensionable pay or application of discretions, could then be flagged with the SAB.

5.11. CH noted a low score of 37% of boards undertaking regular evaluation of performance and effectiveness. DY remarked that this may be as boards are unsure what to measure against, and DL agreed that there are no standards in place. SA added that there is a TPR toolkit for skills, but nothing around benchmarking governance. IH commented that this could be linked to the SAB survey and recommendations, as a self-assessment tool.

5.12. CA asked whether it would be useful to feedback from LPB meetings and training to this group, in addition to circulating the training tracker. CH queried whether Committee members would find it beneficial to attend LPB events. CA agreed that this could be useful for boards and slides on the work of the Committee will be added to the standard slide deck. TA agreed that this should be added as a standing agenda item.

**Action:**

- vii. **CH to distribute LPB training tracker to group along with dates of forthcoming LPB engagements.**
- viii. **CH to engage TPR for next meeting to discuss survey results.**

## **6. Working lunch**

## **7. Joint board applications**

7.1. CA is continuing to receive queries around how boards would evidence the wholly or mainly shared administration and management of the scheme in order to gain approval from the secretary of state to operate a joint board, as per [4A paragraph 2](#).

7.2. The Home Office are unable to provide a definitive view, therefore CA sought opinion from the group on what would constitute sufficient evidence for an application to be made.

7.3. Bob Holloway of the LGPC secretariat has provided some useful information about the intention of the regulation, in addition to referencing the [LGPS guidance on joint boards](#) (10.10 to 10.15 on page 62 refers):

“the intention was that “management of the scheme” would be evidenced by some form of shared governance, e.g. pension committee or delegated authority to a body or individual officer across a number of authorities. But at the end of the day, it would be for the applying authority/authorities to prove their case that both administration and management is shared and for the Minister, based on advice from officials, to reach a view on the available evidence.”

7.4. The Home Office are unable to provide a definitive view and have considered that this is a cost-saving measure. However, CA’s interpretation is that the intention of the regulation is not linked solely to the administration function. The Police schemes allow for joint boards within the regulations, which has led to some difficulty around governance.

7.5. CA sought opinion from the group on what would constitute sufficient evidence for an application to be made, as an opportunity for the Committee to set standards. One item to consider is around scheme manager discretions. Any applications would be forwarded to the Secretary of State by the Home Office with recommendations.

7.6. DY highlighted that the regulation states “administration and management” and much will depend on the commonality of the pension boards. For example, IH has previously stated that the three Midlands boards started out with quite different agendas, but are now more aligned.

7.7. DY questioned how the individual scheme managers would be held to account in a joint board arrangement, which could be difficult if the scheme manager is in a position of seniority. There would need to be equity in applying standards and consideration of how effective the individual boards are before making a joint application. However, FRAs do have a duty to collaborate.

7.8. SA remarked that joint boards would necessitate longer meetings, perhaps in two parts with the second part to address questions to individual scheme managers. 80% of the boards’ time currently is taken up with common issues and discussion. IH added that the key will lie in the management of the meetings and suggested that each scheme manager would lead the meeting in rotation. It is proposed that the joint board would comprise the same collective membership as the individual arrangements.

7.9. DL opined that it is too early in the governance journey for joint boards to be considered; boards may make applications as a perceived way of absolving responsibilities where they should be concentrating on establishing good practice. SA highlighted that therein lies the importance of setting standards for the application process and suggested that boards undertake a ‘pre-approval healthcheck’.

7.10. IH emphasised the benefits of a collaborative board as including sharing of knowledge and training, robustness and resilience. DY added that there is no added complication of investments and varying actuarial assumptions. It was queried whether CA's role has any influence on the Home Office and Secretary of State's decision.

7.11. TA recommended the development of a set of robust yet achievable tests through this Committee with SAB approval, noting that as the provision is laid in statute, there is an obligation to put a process in place. CA agreed that this would add assurance for the Home Office. IH and SA may need to declare an interest at future meetings.

7.12. SA noted that the arrangements would need to be reviewed and assessed annually. This could be built into the board's annual report and annual FRA governance statement of assurance. CA agreed that regular reviews would be necessary, ideally via a yearly audit statement, with the SAB acting as an intermediary.

7.13. DL expressed concern about the dissolution of joint boards and whether this would generate an extra burden for the SAB. DL also raised benchmarking of boards, as engaged boards may not want to join with those that are less effective.

7.14. TA requested that CA and CH put a structure around the points raised in order to draft a set of tests for approval and withdrawal of joint boards. CA asked for consideration of who the tests will be approved by, as there is no current audit process in place.

7.15. CA noted some initial ideas of evidence for inclusion in the tests: how the board could add to member experience as a joint body; administrator to feedback on scheme manager performance and mini-consultation with stakeholders.

**Action:**

- ix. **CA and CH to draft set of tests and accompanying paper to present at the next meeting.**

## 8. Forthcoming events

8.1. CH highlighted the following events which may be of interest to Committee members:

- [Special members of the 2006 Firefighters' Pension Scheme - refresher workshop - London - Wednesday 2 May 2018](#)
- [Fire and Police Local Pension Board Governance - London - Wednesday 9 May 2018](#)
- Local Pension Board wrap-up training – London – Tuesday 19 June 2018 (booking not yet available)

## 9. 2018 work-plan

9.1. The items discussed above will form the basis of the committee's work-plan for the year:

- i. Full analysis of LPB survey results with report to the full SAB on 9 March 2018.
- ii. Comparison of the SAB survey with TPR governance and administration results.
- iii. Consider whether items arising from the outcomes from both surveys demonstrate need for a business case to the Home Office for regulatory change.
- iv. Publication of breach assessment template ~~with materiality matrix.~~
- v. Publication of LPB annual report template.
- vi. Develop set of initial tests for joint LPB applications.
- vii. Develop ABS 2018 survey to be issued in September.
- viii. Group members to attend LPB meetings and/ or training.

## 10. Future meeting dates and venues

- 5 July 2018 (Leicestershire CC)
- 27 September 2018 (Lincolnshire FRS)

## 11. AOB

11.1. DY brought a recent Pensions Ombudsman determination to the attention of the group concerning the deduction of state benefits from annual pension. The transfer of pension administration at Lincolnshire FRA highlighted errors and omissions in the monitoring of state benefits whereby a group of individuals had notified the administrator, but no action had been taken, leading to over- or underpayments.

11.2. The ombudsman has upheld a claim relating to the payment of interest on underpaid annual pension and awarded compensation. There is now a concern that an overpaid member will appeal to the ombudsman and the FRA will be unable to reclaim.

11.3. DY queried if there is any consensus on the treatment of incorrect taxation on ill health pensions at FRAs. Where relevant pay records are not available, a bulk settlement is being considered. SA confirmed awareness of one FRA only that have compensated beyond the HMRC period.

11.4. CA confirmed that enquiries were made around the provision of legal advice, but could not be applied for collectively due to the differing circumstances of each FRA. HMRC consider that they have discharged their liability and as the injury pensions are entirely funded by FRAs, it is at each Authorities discretion.