



Firefighters' Pensions England

Scheme Advisory Board

LPB EFFECTIVENESS COMMITTEE

ACTIONS AND AGREEMENTS

Tuesday 17 July 2018

18 Smith Square, Westminster, London SW1P 3HZ

PRESENT

Tristan Ashby (TA)	Chair
Malcolm Eastwood (ME)	Scheme Advisory Board chair
Clair Alcock (CA)	LGA
Ian Howe (IH)	Technical/ Admin representative (Leics CC)
Stuart Wilson (SW)	LPB representative (WYFRS)
Claire Hey (CH)	LGA – Board secretariat
Neil Wilson (NW)	TPR
Kevin Courtney (KC)	LGA/ NPCC

1. Introductions

- 1.1. Introductions were made around the room. Apologies were received from Dave Limer, Debbie Yeates and Simon Allsop.

2. Chair's welcome

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

3. Review previous actions (19 April 2018)

- 3.1. The minutes of the previous meeting were agreed.
 - CH to add breach assessment template to LPB area of SAB website - completed.*
 - CA to contact TPR regarding provision of anonymised breach information.*
- 3.2. CA has been looking at how the Bluelight team can work with TPR to provide some common themes on breaches, without excluding other items which should be considered. NW noted that Nick Gannon and Pauline Lancum are investigating how much information can be provided without limiting stakeholders to a defined list of scenarios. Prior to the TPR survey and scheme

return they will be collating guidance on ABS- related breaches, as there are not enough other types to be able to anonymise the cases sufficiently.

3.3. CA suggested that a question could be included in the SAB LPB survey if TPR are unable to provide the required level of detail. There is concern that only breaches relating to ABS are being identified. NW commented that other known reported breaches have included overpayments over a two year period and payroll error leading to deduction of incorrect contributions, but due to the limited number of reports, the data cannot be anonymised.

3.4. NW added that TPR will issue advice on whether a breach is red or amber, as materiality is subjective. One consideration is whether a breach is likely to reoccur, such as ABS errors. Guidance on specific examples will only be given on a case by case basis, so as not to preclude independent decision making.

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

3.5. As Simon Allsop was unable to attend the meeting, the above action will be carried forward. CA noted that one LPB has invited internal audit to check that the board are compliant, but they were not sufficiently experienced in governance and therefore checked compliance only against the board's own terms of reference.

3.6. On governance, CA informed the group that LPB chairs had recently been asked for a RAG rating on their FRA's scheme reconciliation status, with only 11 responses received. ME suggested this could be due to changes of membership if up to date contact details have not been supplied by boards.

3.7. IH commented that there is limited likelihood of FRAs receiving responses to queries if these are only submitted to HMRC by the October deadline. CA is optimistic that there is less chance of discrepancies in FPS membership as it is still a longer term career option with restricted movement. CA queried whether status updates can be progressed through the committee.

3.8. TA agreed that the committee should take action and asked how confident the secretariat is that communications are being sent to the most relevant individual. CA responded that the information could have been requested from administrators, however, chairs should be in a position to reply to this type of query.

3.9. IH remarked that this is not always the case in practice. As administrator for three FRAs, any communications received are always forwarded to the individual scheme managers. NW asked if each board has an officer responsible for collating papers. CH confirmed that the named lead contact for each board is always copied to any correspondence with board chairs.

3.10. IH added that chairs are likely to be forwarding such requests to their administrator who is carrying out the work, so it would be more practical to submit the query directly if it means that a response will be received. ME suggested the addition of read receipts to communications to enable tracking.

3.11. CA expressed concern that boards may think that a response is not necessary, although in some reported cases, administrators have been approached and the information is pending. Is it important to distinguish why the information is being requested. If it is only to obtain numerical data, the query should be submitted to the administrator. If, however, it is as a measure of governance and internal controls, the board should be contacted.

3.12. CH confirmed that initially the request was intended to monitor governance, and now further detail is required for HM Treasury, the query will be resubmitted via administrators.

3.13. CA has informed the Home Office that potential implications of not completing the reconciliation exercise are acceptance of HMRC data which if incorrect could lead to FRAs accruing additional liabilities, and overpayment of pensions increase, putting further strain on the top up grant. CA opined that the exercise is likely to be completed, but the lack of engagement is concerning.

3.14. ME asked if other public service boards are experiencing similar issues. NW confirmed that there is a lot of variation between boards within the same schemes, and that schemes will be in a worse position if the exercise is not completed. NW raised how stalemate cases will be treated; as the larger organisation, will HMRC consider that their records should be accepted.

3.15. CA clarified that HMT will not accept this position. IH agreed as detailed within the LGPS SAB minutes, a scheme cannot accept liability where no record exists, or knowingly pay an incorrect benefit.

Action:

i. CH to reissue request for reconciliation status and case numbers to administrators.

iv. CH to add sample agenda to LPB area of SAB website – completed.

3.16. A sample agenda was distributed with the meeting papers for comment. IH suggested that 'GMP' be added to the scheme reconciliation item for clarity.

3.17. CA noted that the suggested review of risk register and mitigation need only be a quick update and not too onerous. NW agreed that the risk register should be a standing item and a dynamic document, allowing boards to constantly monitor new and ongoing risk. CA observed that mitigation does not mean that a risk no longer exists; the mitigation itself should be regularly reviewed to ensure it is still in place.

3.18. IH asked if there was value in adding an item on scheme valuation to the template agenda. CA responded that this may fit more appropriately on the risk register. ME added that LBPs are consequential to the valuation, rather than affecting it, as any action will feed down from the SAB. Otherwise the group were happy that the agenda be uploaded.

v. CH to add deferred ABS to Fire Communications Working Group agenda - completed.

3.19. CH confirmed that the item was added to the FCWG work plan at the meeting on 27 June 2018. Example templates and notes were requested from attendees as a starting point.

vi. CA and CH to work with IH to collate a draft ABS survey to be presented at the next meeting – completed [Item 6].

vii. CH to distribute LPB training tracker to group along with dates of forthcoming LPB engagements – completed.

3.20. Dates of all engagements were distributed with the draft minutes from the previous meeting.

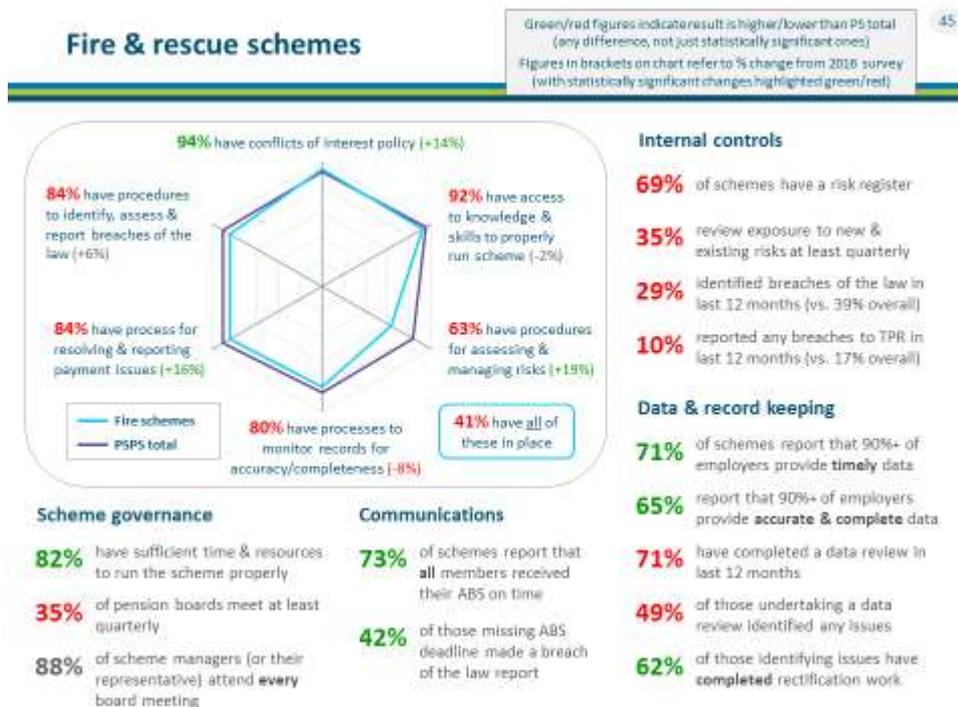
viii. CH to engage TPR for next meeting to discuss survey results – completed [Item 4].

ix. CA and CH to draft set of tests and accompanying paper to present at the next meeting – completed [Item 5].

4. TPR Governance & Administration survey update

4.1. NW attended the meeting to provide a summary update of the latest governance and administration survey results in order to facilitate a discussion on next steps.

Key results



- 4.2. NW confirmed that a baseline 41% of FPS respondents had all six of TPR's key processes in place. An increase in percentage is expected over the next couple of years. Levels of LGPS engagement have fallen, so a sample of administering authorities will become subject to high focus. FPS is currently on an upward curve, but to avoid future scrutiny, boards must ensure that focus and engagement remain high and survey results improve accordingly.
- 4.3. NW noted that it is not compulsory for all questions to be answered and scheme managers can choose for responses to be non-attributable, which could affect the results.
- 4.4. CA highlighted that the LPB training offered includes an action for boards to ensure all six processes are in place and add this to their annual report. CA noted that the survey provides a snapshot of the landscape and recommended that boards self-assess against the results to establish whether the national picture matches the local view.
- 4.5. ME added that attribution should be encouraged. NW was unsure why schemes would choose not to attribute, particularly if they are performing well, and queried whether boards would have seen the scheme manager response before submission. TA asked whether Nottinghamshire FRS were surprised that their annual report had been selected by the secretariat as an example of good practice; IH confirmed.
- 4.6. NW noted unusual geographical hotspots of non-completion/ attribution and clarified that survey results are not used for identifying case work. CH asked whether this is the primary concern and therefore reason for non-attribution. NW confirmed this is the case, and further why breaches are not reported. However, TPR do not penalise without investigation and sanctions are proportionate. Open and honest communication is the way forward and will be vital for reporting scheme-specific data scores in year one to obtain an accurate picture.
- 4.7. CA commented that the fall in identifying breaches was largely attributed to improvements in the ABS process, however, it may be that other issues are not being considered. The SAB are aware that pensionable pay remains a concern. NW agreed that ABS issues following reform have skewed the figures and further years of data are required to identify trends and establish level of concern. LPBs are becoming more engaged, but need to remain focussed.

Respondent role

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- The survey was explicitly targeted at scheme managers, who were asked to work with the pension board chair to complete the questionnaire

Respondent role	Completed by	Consulted with	Total (Involved)
Scheme manager (or their representative)	70%	46%	85%
Pension board chair	4%	42%	45%
Pension board member	4%	14%	16%
Administrator	16%	42%	58%
Other	7%	11%	15%

- Scheme managers contributed to 85% of the surveys, and directly completed it in 70% of cases
- 45% of surveys were completed with input from the chair, although other board members were involved in 16%
- Over half of the completed surveys (58%) involved consultation with the scheme administrator

4.8. NW explained that TPR would like LPBs to be more involved with completing the survey with their scheme manager. CA highlighted that the results are not specific to FPS and that the survey is targeted at scheme managers. TA raised whether respondents understood the intention of “consulted with”; consultation may have taken place after submission. NW hoped that individuals are asked for their opinion while there is still opportunity to make a contribution. An unfortunate drawback of surveys is the inability to infer the thinking behind the responses.

4.9. CA remarked that this is where the SAB/ LGA have a role to play. TPR provide guidance and regulatory oversight which LGA follow up with training and encouragement.

4.10. ME expressed frustration that the results are not attributable in order to provide further targeted support. NW asked whether the SAB are in a position to collect data that TPR can't and pass that data forward. NW highlighted the high response rate (92% of schemes) and explained that 10-12% is generally considered to be a good rate of return for an unsolicited survey.

Pension board meetings



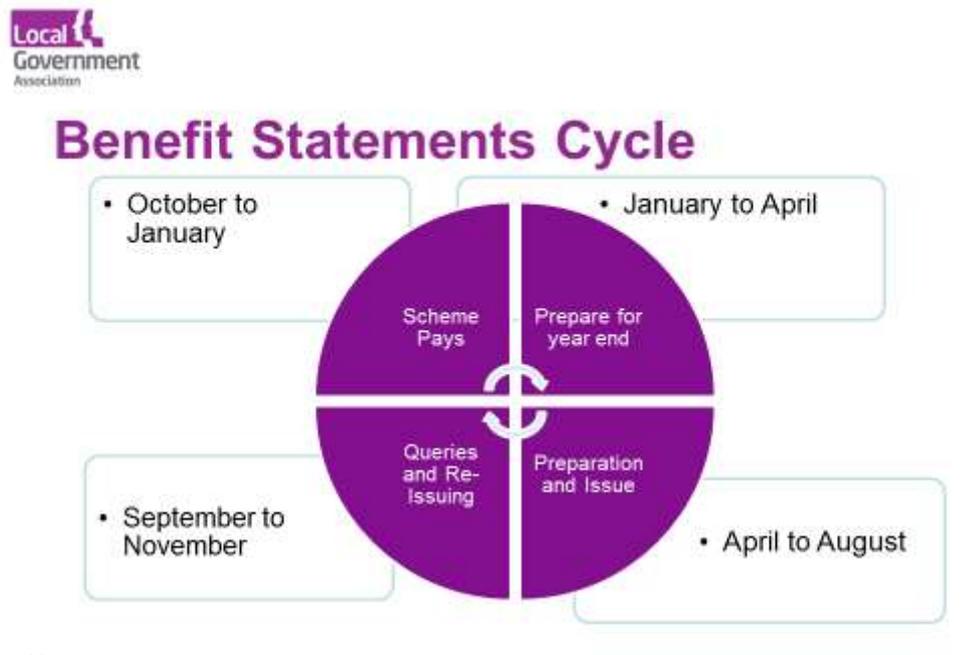
4.11. NW noted that two meetings per year is not sufficient for boards to meet their legislative requirements. ME asked for TPR's recommendation. NW responded that between three and four gives LPBs time to react to changes. ME suggested a recommendation of three, with a caveat that cancelled meetings should be rescheduled. CA commented that ineffective meetings will remain so, whatever the frequency. Boards should self-assess to demonstrate that they can function efficiently with the number of scheduled meetings and constantly monitor their position.

4.12. NW emphasised that legislation states a minimum of two annual meetings, but there is no way to monitor this. ME suggested that the SAB need to be firmer on this point and could consider drafting a letter to stakeholders confirming their responsibilities. CA proposed asking boards in the next LPB survey if they have adopted the recommendations, as this data-set is a reflection of the position at November 2017.

4.13. IH commented that a lack of meetings may impact the survey results. As the board's role is to assist the scheme manager, in IH's experience four meetings per year complement the annual cycle, for example:

- March – year end data quality.
- June – ABS and breaches.
- September – taxation and Pension Saving Statements
- December – review of year.

- 4.14. TA agreed that there are key points in the calendar year when meetings are most relevant. TA added that boards should take more ownership and consider what good practice looks like in regard to the above. NW concurred that meetings should be spaced throughout the year, to allow timely decision making but not overwhelm members with information. Generally, people prefer to work within set guidelines.
- 4.15. CA stressed that boards need to be allowed to reach these decisions on their own terms. It has recently been reported that one LPB was not permitted to increase the frequency of meetings by an authority committee, as their terms of reference specify meetings will be held twice annually.
- 4.16. SW agreed that the LPB may sometimes be seen as secondary to other committees. It is therefore helpful for the SAB to provide positive recommendations, for the board to take notice. CA highlighted that this demonstrates a possible lack of understanding at authorities, as the FRA is by law the scheme manager and delegation does not equate to abdication. NW added that LPBs must be independent of an organisation's other committees.



- 4.17. CA suggested that the above ABS cycle slide be adapted to illustrate a typical LPB meeting cycle to promote the value of more frequent meetings. This could be shared via the website and monthly bulletin, with an email to board chairs to emphasise the importance.

Summary

- 4.18. NW concluded the update by congratulating FPS on increased scores in 2017 and noting an expectation of annual improvement, to include support for more than two meetings per year and an increase in key processes. Scheme managers and administrators should have input in identifying breaches, although the board should obtain and retain suitable knowledge to allow them to monitor administration and ensure they are not being led by a third party. The LPB can be a 'critical friend' and implement KPIs and SLAs; it is important for the board to act in a manner that will add value. The SAB and committee could assist by taking a tougher approach.
- 4.19. NW noted that FPS are at the bottom of the curve on evaluating performance. An education piece is needed to consider how boards can effectively monitor performance as all sectors have particular challenges. IH referred back to the annual cycle, stating that increased understanding will improve self-assessment.
- 4.20. NW confirmed that TPR's key focus this year is data. Good data is the key to running and future-proofing schemes, and can also assist in avoiding referral of cases to the Pensions Ombudsman.
- 4.21. CA raised some anomalies within the survey results such as: 92% of respondents believed that they had the appropriate knowledge and skills to run the scheme properly, but only 33% were confident in identifying to the scheme manager where poor standards existed and making recommendations; 57% also said their top risk is securing compliance with legislation.
- 4.22. NW emphasised that boards should ask the scheme manager or administrator on any issue they are unsure of and push back if they are not satisfied with the response. TA countered that boards may not have sufficient knowledge to know what they should be scrutinising.

Action:

- ii. **CA to draft report to committee on LPB and TPR survey results to form basis of SAB commentary on FPS governance.**

5. Joint Board applications

- 5.1. As detailed at [\[Item 7\]](#) of the meeting of 19 April 2018, CA continues to receive requests from boards on the formation of joint arrangements. While the committee were not opposed to this in principal, they determined that strong evidence would be needed to gain approval from the secretary of state.
- 5.2. The Home Office had no prior conception of what the tests should be, only that the bar should be set at a suitably high level. The secretariat therefore considered what those tests should look like and developed guidance which was distributed to the committee in advance of the meeting, based on the requirements of [\[regulation 4A\(2\)\]](#) of The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015 .

Shared administration

5.3. To evidence shared administration, the administrator will be required to provide a statement verifying the performance of the individual scheme managers and detailing how a joint board will assist engagement and improve scheme member experience.

Shared management

5.4. A set of eight questions has been devised to test shared management, requiring detailed evidence to ensure that a joint board is not used as a vehicle for poorly performing boards. A summary of the questions is detailed below:

- I. What evidence can you provide to show how each of the single boards are already operating well?
- II. Can you evidence how process and procedures apply equally to all scheme managers operating within the shared arrangement?
- III. How would employer and employee representatives from each scheme be represented on the joint board?
- IV. What value would your joint board give to scheme member experience, over and above your current single board operation?
- V. How are you going to approach scheme decisions that
 - a) may be specific to the needs of a single FRA, and
 - b) where you may want to ensure consistency between FRAs on decisions?
- VI. How will the joint board ensure that individual scheme managers are complying with regulation 4A(1)?
- VII. Approval by the secretary of state may be withdrawn under paragraph 3 of regulation 4A, how are you going to evidence the continued effective and efficient governance that the joint board provides to comply with this regulation?
- VIII. What evidence can you provide of consultation with stakeholders, are there any objections from any party to forming a joint board?

5.5. NW confirmed that TPR is broadly supportive of boards working together where this improves standards of governance and administration. Given that secretary of state approval is needed to form joint boards, NW asked whether there is any barrier to boards working collaboratively without written agreement.

5.6. NW added that the effectiveness of large boards, such as in the Police scheme, has yet to be determined, for the economy of scale offered. KC agreed, commenting on the disparity between a small single force board and a large 14 force board that does not include a representative from each force.

- 5.7. IH advised that a meeting had taken place with board members and representative bodies of the three East Midlands FRAs, LGA, and the Home Office to discuss progression of a joint board application for the region. IH confirmed that the meeting had been invaluable, with a full discussion on all points of the guidance which raised issues that the boards had not previously considered. IH stated that the guidance is a fair and rigorous challenge and the boards are comfortable with the level of evidence required.
- 5.8. CA agreed that the meeting was an ideal forum to discuss the draft guidance and noted Home Office confirmation that the proposed tests offer the level of robustness and assurance that the minister is likely to require, particularly around consideration of the member experience, which good governance is designed to support.
- 5.9. CA noted that no evidence of cost-saving is necessary, as this is not a requirement of legislation. IH added that the only cost issue considered by the East Midlands boards was joint implementation of ABS, although there would likely be more opportunity as a collective to save costs in the future.
- 5.10. NW asked if there was any proposal to cap the number of boards participating in a joint arrangement and whether shared administration would pressure boards to join. IH replied that the three East Midlands boards did not wish to cap the number of members on a joint board, as the numbers may naturally reduce due to efficiencies in knowledge and understanding. CA confirmed that the number of boards per arrangement would not be capped, but each additional board would need to evidence all the requirements; there is no automatic entitlement.
- 5.11. ME queried whether new boards would request to join existing arrangements for geographical convenience. IH commented that any additional boards would need to meet the standard of those already participating, so as not to water down an existing arrangement.
- 5.12. KC noted that a variety of arrangements exist within the Police boards and from experience, groupings of three to five boards seem to offer maximum efficiency. KC asked if the secretariat would be willing to share the guidance once complete, as a source of reference. KC added that there is currently no correlation between good governance and good administration. NW agreed that no trends have been identified, citing breaches of law and complaints as examples.
- 5.13. NW stated that TPR still has concern over representation on larger boards, but as governance arrangements have only been in place for two years, it may be too early to judge. NW noted that if a board choose to participate in a joint arrangement, they must comply with joint decisions. CA remarked that as joint boards get larger, it becomes harder to evidence Q.6 of the due diligence. Q.5 addresses concerns over the lack of consistency between authorities on the same board, with the opportunity to add value.

5.14. In summary, CA commented that boards are increasingly sharing administration, but are not in a position to share management, therefore setting a high bar for evidence will avoid abdication of governance responsibilities and should allay concerns raised at the previous committee meeting on 19 April. Notes from the joint meeting at Leicestershire CC will be incorporated into the guidance before the final version is issued.

5.15. TA wondered whether the bar had been set at an unrealistic level, but was reassured by IH's comments. SW confirmed he was content with the guidance.

Action:

- iii. **CA to progress final version of guidance including comments from this and other forums.**

6. ABS 2018 survey

6.1. An introductory paper [[Paper 2](#)] and draft survey was issued to the group prior to the meeting in line with item vii. of the workplan. CH explained that IH had provided much of the basis for the survey questions; IH added that these had been written with administrators in mind. Others which relate to the mechanics of the process and resources were lifted from the 2017 survey. Comments were requested on the draft.

6.2. CA clarified that considerable resource had been expended on development of the 2018 ABS template, including review by the Plain English Campaign and award of the Crystal Mark. Therefore it is important to establish whether the template is useful to administrators.

6.3. CA gave a demonstration of the [ABS bite-size training](#) which has recently been added to the FPS Regulations and Guidance website, to illustrate the challenges faced by administrators during the cycle.

6.4. IH suggested that a question should be added regarding the provision of online ABS for members, whether this is being considered and a possible timescale, as the Pensions Dashboard will drive expectation for members to be able to access their benefit information electronically.

6.5. TA asked how long the survey will run for. CH confirmed that the link will be issued at the end of September and will remain open for one month. NW remarked that a longer response time leads to a quicker drop-off rate.

6.6. TA wished to record thanks to IH for his considerable input into the survey and the committee were happy to proceed with development of the online version.

Action:

- iv. **CH to engage Webdigi to produce the online survey once budget approval is received from the relevant committee [Item 5 of the [30 November 2016 SAB meeting](#)]. Survey will then be tested before go live.**

7. 2018 work-plan

7.1. 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.
- ix. Publish commentary on combined survey results.

8. Future meeting dates and venues

- 25 September 2018 (Lincolnshire FRS)
- 28 November 2018 (18 Smith Square)

9. AOB

9.1. CA reminded the committee of the dates of the annual conference, 17 – 18 September, and requested TA and IH to speak at day 1 regarding the work of the committee and joint boards, respectively.