

Local Pension Boards

Tristan Ashby

**Chair of the Local Pension Board
Effectiveness Committee**

Purpose

- **The LPB effectiveness committee will consider how local pension boards and scheme managers can be supported centrally**
- **The committee will look to provide reminders of good governance tools and progress actions necessary as a result of the Pensions Regulator's governance and administration survey.**

The committee

Chair – Tristan Ashby

Members

- Malcolm Eastwood
- Dave Limer
- Cllr Thomas Wright
- Clair Alcock
- Ian Howe
- Simon Allsop
- Debbie Yeates
- Stuart Wilson

Public Service Governance and Administration Survey 2016

	Fire	Police	LGPS	Other
1 Survey response rate	98%	76%	90%	100%
2 Conflicts policy and procedure for pension board members	80%	71%	85%	100%
3 Register of interests	86%	74%	87%	100%
4 Knowledge and Understanding arrangements	94%	89%	93%	100%
5 Frequency of scheme manager attendance at pension board meetings	68%	43%	86%	82%
6 Procedures for assessing and managing risk	44%	51%	92%	91%
7 Risk register	38%	51%	91%	91%
8 Where risk management procedures have contributed significantly to new or revised internal controls	14%	28%	29%	20%
9 Where administration is delivered in-house	24%	20%	73%	36%
10 Employers providing timely, accurate and complete data	58%	63%	7%	9%
11 Data review within the last 12 months	68%	77%	83%	100%
12 Data review covering both before and after 1 April 2015	68%	61%	76%	91%
13 Where data review identified any issues or problems	45%	52%	66%	100%
14 All annual benefit statements received by statutory deadline	32%	54%	45%	36%
15 Average number of complaints entering IDRPs	48%	44%	38%	60%
16 Procedures in place to identify, assess and report breaches of the law to TPR	78%	69%	91%	100%
17 Proportion that had identified any breaches of the law in the past 12 months	58%	11%	45%	64%
18 Proportion of reported breaches that were thought to be materially significant	38%	9%	15%	45%
19 Frequency of visiting TPR web site	60%	29%	61%	73%
20 Proportion judging TPR to be effective	82%	74%	85%	82%

Current concerns

- **Only 32% of Fire schemes reported having all 6 key processes in place**
- **Concerning gaps on Internal Controls**
- **Only 44% of boards have a risk register**
- **Confusion of Scheme Manager Role**
- **Lack of board chairs who are attending this conference!!!**

Engaging with you

- **The group would be particularly interested to receive feedback from LPBs on how the SAB can best support their activities.**
- **In order to facilitate the working knowledge of the group on how Local Pension Boards are working in practice, they will shortly be issuing their own survey of board members.**

Survey

- **Inform SAB about make up of boards**
- **Inform SAB of frequency of meetings**
- **Inform SAB of any problems being encountered by boards**
- **Identify Local Pension Board top three risks**
- **Understand how boards mitigate the risks**



Top 4 areas of Improvement

Risk

- Procedures for Assessment and Management
- Risk Register

Internal Controls

- Systems, arrangements and procedures for managing and monitoring the management of the pension scheme
 - Managing risk
 - Identifying and reporting breaches of law
 - Controls around administrators

Effective Scheme Manager Delegation

- Accountability
- Management of delegation

Communications

- Annual Benefit Statements
 - Provision of Information to Members
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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](#)

TPR Assessment Tool

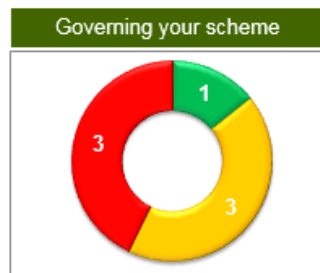
Results

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.

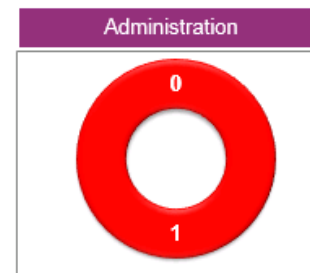
A summary of your results



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			

Risk is a driver for improvement



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	Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours The scheme manager does not take appropriate action to address the failing in relation to conflicts	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

Breaches Policy

1. Identify

1. Tracked agenda items
2. [LGA bulletins](#)
3. Report from scheme manager

2. Assess

3. Record / Report

Scheme Manager

- Who is the Scheme Manager
 - Powers of delegation
 - To delegate or not to delegate!
 - Who to delegate to?
-

Scheme Manager

- The Scheme Manager is defined by 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
 - By virtue of regulation 4, the Fire and Rescue Authority is the scheme manager of the 2015 scheme and ‘any statutory scheme that is connected with it’
 - <http://www.legislation.gov.uk/ukxi/2014/2848/regulation/4/made>
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Power of delegation

- *(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>
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To delegate or not to delegate

Does this naturally fall within the Chief Fire Officers responsibilities

- Is this part of the senior management team reports to the Chief?
- Does the chair of the board have regular meetings with the Chief Fire Officer?
- Time pressures on Chief Fire Officers likely to have an affect.
- Is there a natural home for pensions within your organisation?

Who owns pensions

- Are elected members clear on their pensions responsibilities
- Are the senior management team clear on their pension responsibilities

Risks of not delegating?

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

Who to delegate to?

Section 151 Officer?

Pension Committee?

Scheme Manager
Delegation

HR Director?

Finance Director?

Who it's not!

- Pension Scheme Administration Manager
 - Junior Officer
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Internal Controls

- Checklist
 - Questions for boards
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ACTION	NOTES	YES/NO
Do you have effective arrangements and procedures to ensure that the pension scheme is being run in accordance with the scheme rules and requirements of law?	See paragraphs 94-112 in the code at www.tpr.gov.uk/code14 . Consider if you need to put further arrangements and procedures in place.	
Do you regularly review the arrangements and procedures?	If yes, how often?	
Do you have a process to identify risks?		
Do you have a process to evaluate risks?		
Do you have in place processes or controls to manage risks?		
Do you have a risk register to record all risks identified and action taken?		
Do you regularly review the risk register?	If yes, how often?	
Do you have a standing item on the pension board agenda to review scheme risks?		

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?
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Communications

- High on TPR agenda
 - Challenge – how to reconcile statutory obligations and retirement planning
 - SAB will be surveying on ABS in September
 - Technology?
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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?
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