

Meeting of the Board 9 March 2018

ITEM 9

## **Scheme Advisory Board Risk Register**

### **Introduction**

1. This paper collects together the three sub-committees comments on risk that the Scheme Advisory Board should monitor
2. The detailed discussions can be found in the minutes from each of the committees
  - Cost Effectiveness [\[Appendix 1 – Item 4\]](#)
  - Local Pension Board Effectiveness [\[Item 6\]](#)
  - Administration and Benchmarking [\[Item 7\]](#)

### **Scoring**

3. The secretariat has considered and given each item an initial scoring, the Scheme Advisory Board should discuss and agree
4. The Scoring Matrix

Likelihood	1 being less likely and 10 being most likely
Impact	1 has no impact and 10 has the highest impact
Score	This is the value of the likelihood and impact scores multiplied together

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5. The impact has been scored based on mitigating factors in place, the board should consider whether more or less mitigation will have an impact on the impact score

### **RAG Rating**

6. A score of between 1 and 33 has been marked as green, a score of between 34 and 66 has been marked as amber and a score of higher than 66 has been marked as red

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Risk Area	Likelihood	Impact	Score	Control	Owner	Reviewed	Comments
<p>Pensionable Pay</p> <p>Definition of pensionable Pay Inconsistent approaches Lack of knowledge FRA local arrangements</p>	10	10	100	Get legal guidance issued to Scheme Managers	Scheme Managers		Pay being paid pensionable where it shouldn't could lead to a higher value being put on the scheme and the scheme meeting the cost cap
<p>Data</p> <ul style="list-style-type: none"> <li>Effect on valuation, poor data could lead to higher assumptions</li> </ul>	5	7	35	SAB have taken independent legal advice on GAD valuation report	SAB		<p>Data quality might be affected by a number of different variables</p> <ul style="list-style-type: none"> <li>Payroll suppliers not providing correct data</li> <li>Errors when moving suppliers</li> </ul>
Data provided by payroll suppliers	7	5	35	The board could consider introduction of a charter mark or quality accreditation for preferred suppliers	SAB		
<p>Governance</p> <p>Poor governance by Local Pension Boards could lead to a lack of confidence in SAB by the Secretary of State</p>	1	8	8	Local Pension Board Survey. Board to make recommendations from report. Local Pension Board training by SAB secretariat	SAB		

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Knowledge / Succession Planning <ul style="list-style-type: none"> <li>At Local Pension Board Level</li> <li>At Scheme Advisory Board</li> </ul>	7	8	56	SAB to consider options for future scheme administration to minimise risk of local knowledge  Website resources	SAB		
	3	10	30	Website resources	SAB		
Scheme Discretions  Are scheme discretions monitored where there might be a scheme cost impact – for example pensionable pay	2	5	10	Training in place for boards to know what discretions are made.  Most discretions have local cost only.	SAB and LPBs		
Opt-Outs  Less people in the scheme means less money coming in	3	3	9	Opt-outs to be monitored  Communications – Flyer on benefit?	SAB		Home Office to provide opt-out data

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Risk Area	Likelihood	Impact	Score	Control	Owner	Reviewed	Comments
Complex Regulations	5	5	25	The provision of technical advice services from LGA has improved mitigation to this risk. The monthly bulletins and website resources have been highly welcomed Legal advisers to the SAB will further improve guidance given	SAB		The SAB should consider how the mitigation would change without the support of LGA or a budget
Legislative challenge  Due to Brexit government legal resource is highly sought after. Scheme changes will not be forthcoming	6	3	18	The board may need to consider commissioning guidance. The use of the technical group to come to consistent conclusions			

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<p>Organisation structures</p> <p>The different organisational and governance structures of Fire and Rescue, including but not limited to</p> <p>Combined Fire Authorities Council Fire Authorities Mayoral Fire &amp; Rescue Unitary PFCC</p> <p>Could lead to inconsistent governance and management of the locally operated pension schemes, which could lead to risk on scheme data or pensionable pay decisions affecting the scheme cost</p>	2	5	10	<p>LGA have provided guidance to the Home Office on the pension considerations that any PCC considering a PFCC should be aware</p> <p>Scheme Management delegation guidance has also been issued - <a href="http://www.fpsboard.org/images/LPB/Resources/SMdelegation.pdf">http://www.fpsboard.org/images/LPB/Resources/SMdelegation.pdf</a></p>			
<b>Scheme Specific Assumptions</b>				Board to monitor whether different risk presents itself?	SAB		
Pensioner Mortality							
Age retirement							
Ill-Health retirement							
Withdrawal							
Death before retirement							
Promotional Pay							
Commutation							
Family statistics							

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### Board Consideration

7. The Board are asked to comment on the proposed risk matrix
8. The board should consider how often the risk matrix should be reviewed