

Pension Board Training
Firefighter Pension Schemes
27th November 2017

Agenda

- Introduction and group session
- A background to the Fire Pension Schemes
- The Pension Regulator
- Scheme Advisory Board Update
- Roles and Responsibilities of a Pensions Board
- Pension Board Next Steps
- Current and Future Issues

Group Discussion

- What do you think is most challenging for board members?
 - What value do you think Local Pension Boards can bring to the management of the pension schemes?
-

Introduction to the Firefighter Pension Schemes

Firefighter Pension Schemes

11 years ago



1992 Firefighter Pension Scheme

- 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
- Actuarial commutation factors
- Injury benefits
- Built in ill-health benefits/life cov
- Pension for Widow's/Children
- Deferred pension age 60



Firefighter Pension Scheme

Then in 2006.....



2006 Firefighter Pension Scheme

- Open to regular and retained firefighters from 6th April 2006
- 1/60th accrual rate
- Maximum service 40 years
- Retirement age 60
- Earliest retirement age 55 (subject to reductions)
- Final Salary Scheme
- Commutation based on 1 : 12 ratio
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children
- Deferred pension age 65



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
-

Firefighter Pension Schemes

Now.....



Special Members of the 2006 Firefighter Pension Scheme

- Ability for those retained who were excluded from a scheme from 2000 – 06 to join a scheme similar to the FRS 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.



2015 Firefighter Pension Schemes

- All members transferred in April 2015
- Transitional protections apply for existing members of 1992/2006 scheme
- Accrual rate 1/59.7ths
- Retirement Age 60
- Earliest retirement age 55 (subject to reduction)
- Career Average scheme
- Individual Pension accounts
- Deferred pension age equal to State Pension age (65)



Scheme Comparison

Feature	1992 Scheme	2006 Scheme	Modified Scheme	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

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
-

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.
-

Overall effect of changes in the last ten years on the time spent on Pensions by HR and Finance Officers of Fire Authorities (Days a week)



Illustrative only

Originating SI's

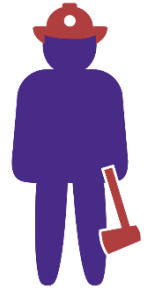
- 1992 <http://www.legislation.gov.uk/ukxi/1992/129/sc>
- 2006 <http://www.legislation.gov.uk/ukxi/2006/3432/contents/made>
- Compensation Scheme
<http://www.legislation.gov.uk/ukxi/2006/3434/contents/made>
- Modified Scheme
<http://www.legislation.gov.uk/ukxi/2014/445/contents/made>
- 2015
<http://www.legislation.gov.uk/ukxi/2014/2848/contents/made> (main regs)
<http://www.legislation.gov.uk/ukxi/2015/589/contents/made> (transitional regs)





Public Service Pensions

Firefighters Pension Schemes



Eastern Region Joint Fire Pension Board Training

Stephen Rowntree

Industry liaison manager

27th November 2017

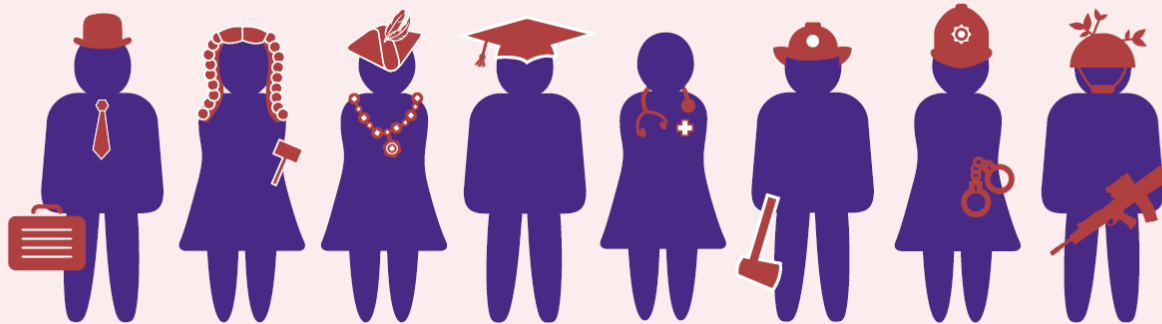
The information we provide is for guidance only and should not be taken as a definitive interpretation of the law.

**The Pensions
Regulator**

Introduction

- We regulate the governance and administration of public service pension schemes, which provide pensions for civil servants, the judiciary, local government, teachers, health service workers, members of fire and rescue services, members of police forces and members of the armed forces
- Our Code of Practice 14 sets out the standards of conduct and practice we expect

8 workforces



16.5 million
memberships

24,000
employers

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Our roles and responsibilities

- We regulate compliance with the Governance and Administration requirements introduced by the Public Service Pensions Act 2013:
 - we engage mainly with scheme managers and pension boards
 - investment: not the what (compliance with investment regulations) but the how (investment governance)
 - www.tpr.gov.uk/guidance/db-investment.aspx
- To educate and enable:
 - codes, toolkit, news-by-email
 - www.tpr.gov.uk/doc-library/codes.aspx
 - <https://trusteetoolkit.thepensionsregulator.gov.uk/>
 - <https://forms.thepensionsregulator.gov.uk/news-by-email/subscribe>
- To enforce:
 - improvement and third party notices, fines etc



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TPR focus 2017/18

- Ongoing risk assessment and intelligence gathering
 - 2016 survey 90% response rate covering 98% of combined membership
 - 2017 survey sent out early November 2017
- Increasing focus on locally-administered schemes
- Key focus areas:
 - governance
 - record-keeping
 - internal controls
 - member communications

We will use our educate/enable/enforce regulatory approach to help schemes comply and address key risks

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21st Century Trusteeship campaign

- Our aim is to drive up standards of governance and trusteeship across the landscape (defined contribution, defined benefit and public service pensions):
- How will TPR do this?
 - **being clearer on the standards** we expect from trustees and key players and communicating these expectations
 - **bolder enforcement** against non-compliance with governance standards (ie scheme return completion)
 - **encouraging consolidation** where schemes are unwilling or unable to deliver good governance, including value for members

What are the key themes of the programme?

- The campaign will focus initially on emphasising the fundamental importance of good governance. Over the coming months, extra content will be added to the website, covering key governance themes including:
 - clear roles and responsibilities
 - clear purpose and strategy
 - competence and integrity
 - up-skilling and training
 - managing advisers and service providers
 - managing conflicts of interest
 - managing risk
 - meetings and decision-making
 - value for members
 - www.tpr.gov.uk/21st-century-trusteeship.aspx

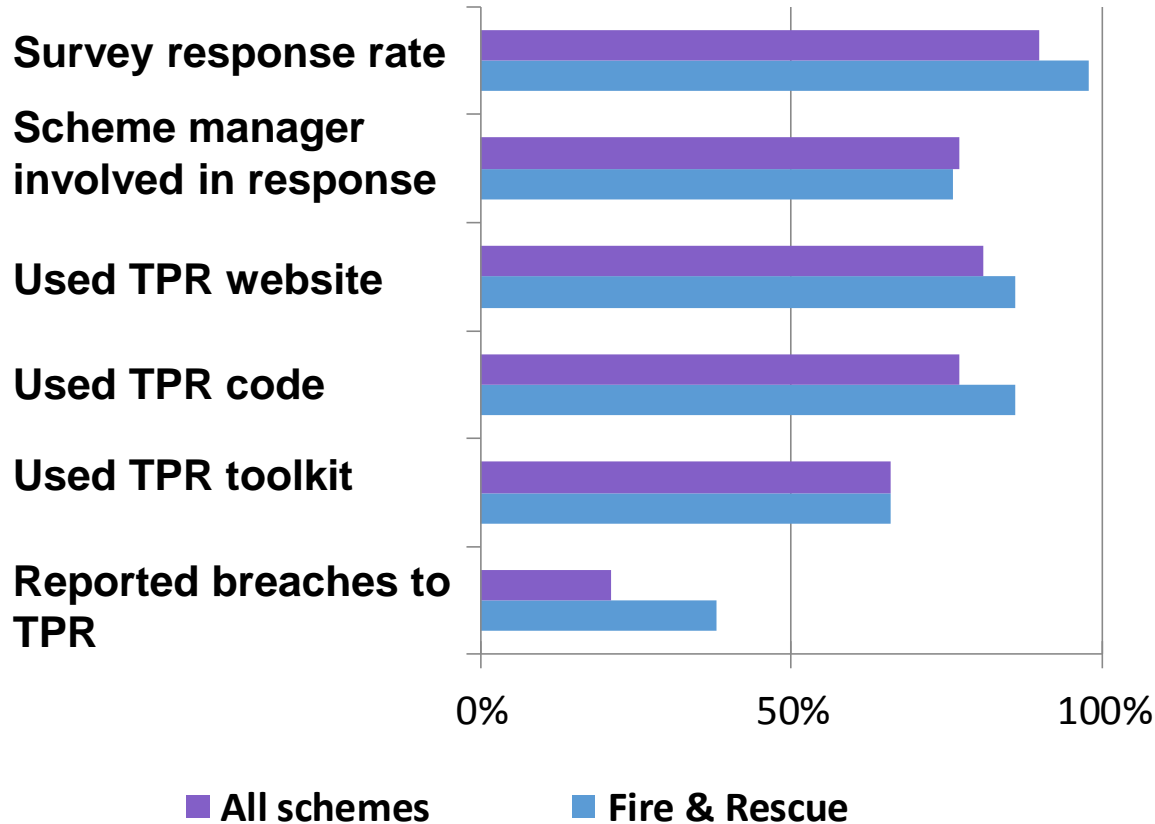
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Who are we trying to reach?

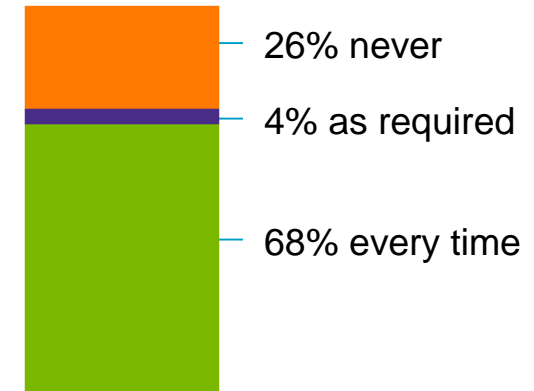
- Trustees, including chairs and professional trustees
- Employers
- Service providers
- Scheme managers, scheme advisory boards, pension board members (public sector pension schemes)
- Advisers, including actuaries, accountants and pensions lawyers
- Particular focus on the disengaged and those at risk of non-compliance

Firefighters Pension Scheme governance - survey findings

Scheme managers and pension boards engaging



But 26% of scheme managers never attend board meetings



24% of surveys completed without scheme manager engagement

48% of surveys completed without pension board engagement

$\frac{1}{4}$ of boards have no regular contact with scheme manager. But FPS more likely than average to be engaging with TPR.

Pension board's ability to guide and advise scheme manager

On a scale of 1 – 10, where 10 represents 'very good' and 1 represents 'very poor', how would you rate the pension board's ability to...? (mean ratings)

	All Schemes	Fire and Rescue
Identify where there are poor standards or non-compliance with legal requirements	7.3	6.6
Set out recommendations on addressing poor standards or non-compliance with legal requirements	7.3	6.6
Advise on scheme regulations, governance and administration requirements set out in legislation, and standards expected by TPR	6.7	5.5
Take or secure actions to address poor standards or non-compliance with legal requirements	7.4	6.9
Average pension board rating (across all 4 aspects)	7.2	6.4

Perception of board's skills is lower than average.

FPS record keeping - survey results

Most schemes are meeting our expectations of doing a data review annually

Last data review
68% in last 12 months
8% longer ago
4% never
20% don't know

But there are concerns as to the effectiveness of these reviews

Identified issues
34% identified issues
39% no issues identified
3% don't know if issues
24% not reviewed (inc. DK)

And take up of data improvement plans is low

Data improvement plans
2% data improvement plan
32% no data improvement plan
42% no issues identified (inc. DK)
24% not reviewed (inc. DK)

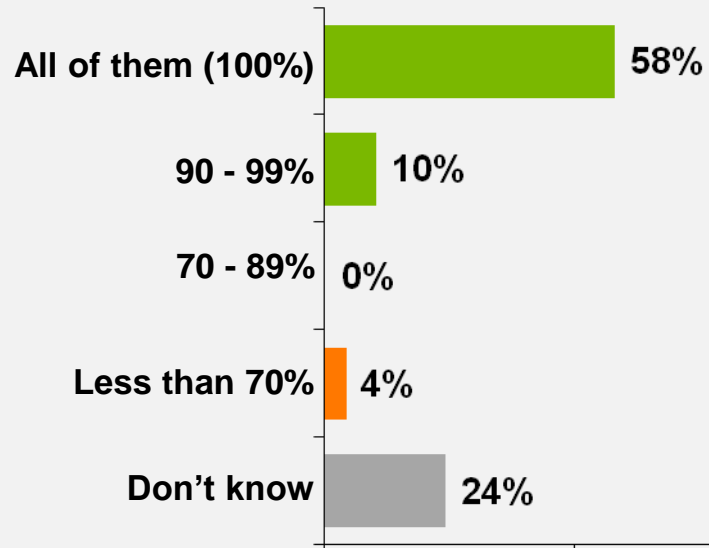
21% respondents identify poor records as a top risk

18% report delays in payment of benefits as one of top three complaints

1 in 5 identify poor records as key concern yet the quality of action taken varies.

FPS employer data

Proportion of employers providing timely, accurate and complete data



Schemes with a process in place...

76%

...with employers to receive, check and review data

88%

...for monitoring the payment of contributions

68%

...for resolving payment issues and assessing whether to report payment failures to TPR

Employer data a much smaller concern for FPS as single employer schemes, though 1 in 4 'did not know' the proportion when answering the survey and there are substantial gaps in processes for quality assuring employer data.

Record keeping

- Good record keeping is a key part to the successful running of a scheme and allows schemes to meet their legal obligations
- We know from engagement that standards vary widely, and some schemes do not prioritise this appropriately, so TPR expects:
 - scheme managers to engage with administrators over service and security
 - assess data and put in place a plan to address issues
- Guidance on developing an improvement plan:
 - www.tpr.gov.uk/docs/improve-data-guide.pdf
- Scheme managers should be preparing for the General Data Protection Regulation (GDPR) and be compliant by 25 May 2018. For more guidance:
 - Information Commissioner's Office (ICO)
 - <https://ico.org.uk/for-organisations/guidance-index/>
 - Pension specific guides are also available, such as one published by the Personal and Lifetime Savings Association (PLSA)
 - <https://www.plsa.co.uk/Policy-and-Research-Documents/General-Data-Protection-Regulation-Made-Simple>

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Improving your data (i)

- Scheme managers should undertake an annual data review and put in place an improvement plan where they identify issues
- Our quick guide (www.tpr.gov.uk/docs/improve-data-guide.pdf) can help you design a plan or assess an existing one, setting out key areas to consider:
 - objectives, outcomes, scope and prioritising, activities, dependencies, timeframes and timelines, resourcing, governance
- Accurate records are key to ensuring
 - the right members get the right benefits at the right time,
 - accurate valuations and calculation of the cost cap
- Poor data integrity has a real impact on members

Flowchart: designing your improvement plan



Improving your data (ii)

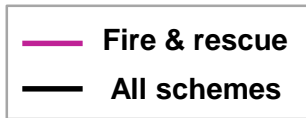
- Data improvement is a continuous process, not a one-off exercise
- The data needed to run an efficient and effective scheme should be checked regularly – both ‘common data’ (applicable to all schemes) and ‘conditional data’ (dependent on scheme type, structure and system design)
- Data should be well managed day to day to ensure it is accurate and complete
- Though administrators may look after records on a day-to-day basis, scheme managers are still accountable

Scheme return requirements

- From 2018 will be asked to report on:
 - when scheme last measured common data
 - common data score
 - when scheme last measured scheme-specific (conditional) data
 - scheme-specific data score
- This will help us understand and segment the landscape and target interventions/track progress
- Common data = data used to identify members (eg DOB, NINO, name)
- Scheme-specific data = other data needed to run the scheme:
 - in public service schemes this includes data required by the regulations, data needed for valuation, compliance with scheme regulations etc
- This change for public service schemes may require systems and process changes
- Data measuring guidance - www.tpr.gov.uk/docs/measure-data-guide.pdf

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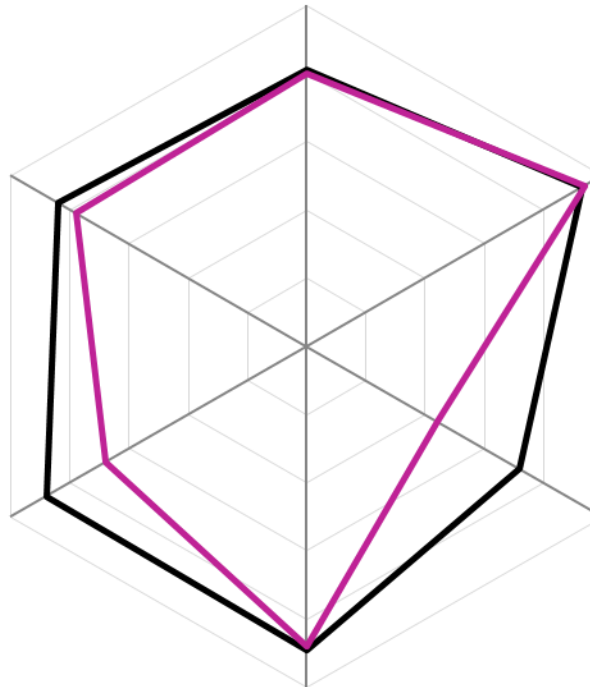
Key processes



78% have procedures to identify, assess and report breaches of the law
(+42% on 2015)

68% have a process for resolving payment issues and assessing whether to report failures to TPR
(-10% on 2015)

80% have a conflicts policy & procedure for pension board members
(+2% on 2015)



94% have policies and arrangements to help board members acquire and retain knowledge and understanding
(+58% on 2015)

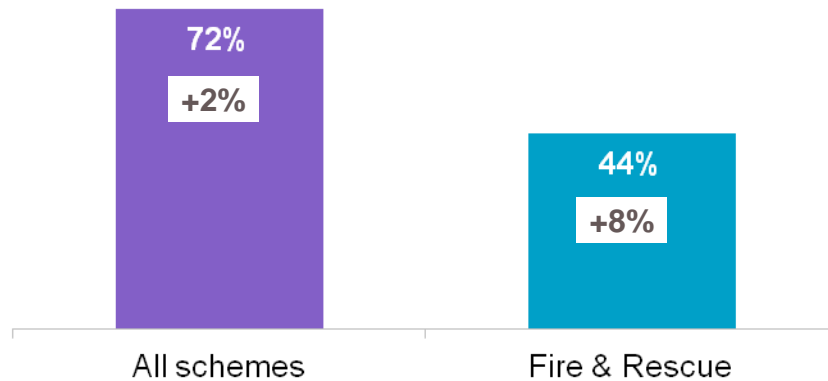
44% have documented procedures for assessing and managing risks
(+8% on 2015)

88% have processes to monitor records for all membership types

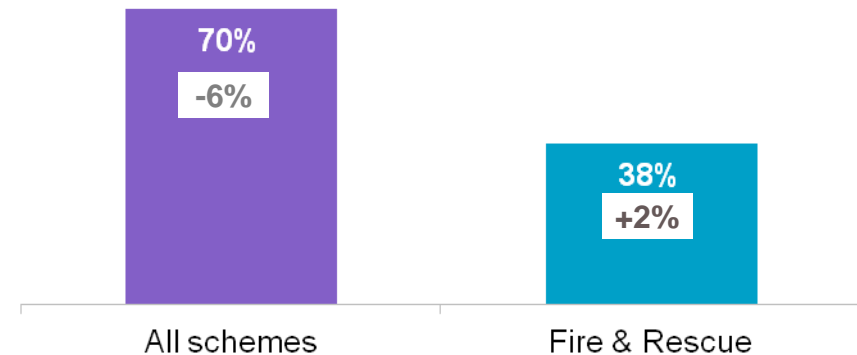
Significant improvement in key processes around breaches of the law and training and knowledge. FPS still less likely to have some key processes in place than average, in particular around managing risks and maintaining contributions

FPS assessing and managing risk

Proportion of schemes that have “documented procedures for assessing and managing risk”



Proportion of schemes that have “a risk register”



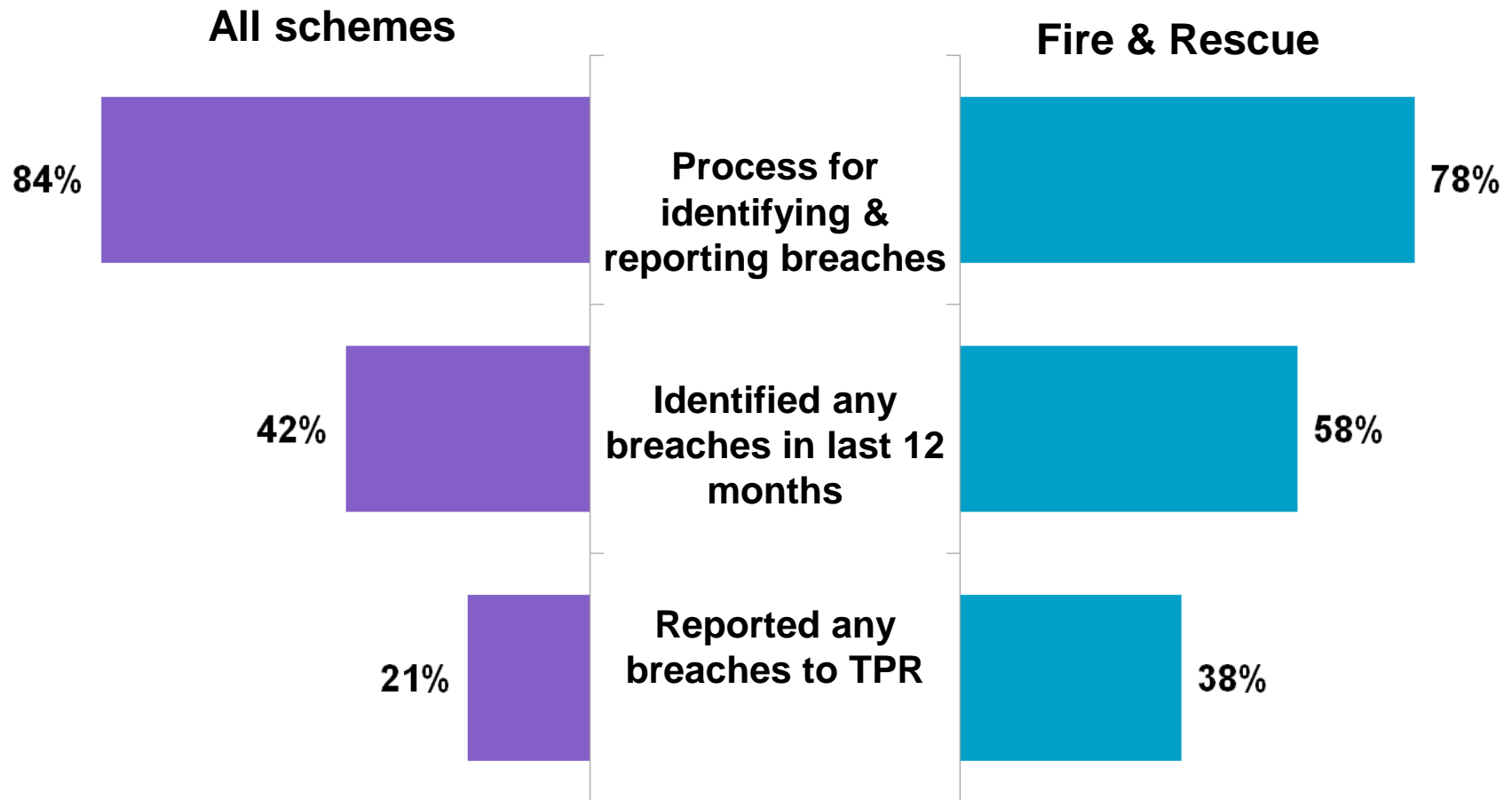
Fire & Rescue schemes are significantly less likely to have processes in place, or use a risk register.

Internal controls

- The scheme manager must establish and operate adequate internal controls to enable them to administer and manage their scheme in accordance with the scheme rules and the law
- Internal controls are systems, arrangements and procedures for:
 - scheme administration and management
 - monitoring that administration and management
- Includes:
 - identifying and managing risk using a risk register – for an example
 - www.tpr.gov.uk/docs/public-service-example-risk-register.pdf
 - controls around administrators and employers (lessons from the National Audit Office report)
 - identifying and reporting breaches of the law
- Internal controls checklist - www.tpr.gov.uk/docs/public-service-internal-controls-checklist.pdf

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Breaches of the law



FPS are more likely than average to identify or report breaches to the regulator

Reporting breaches of the law

- Legal duty to report a breach of the law that is likely of material significance to TPR for:
 - scheme manager
 - pension board member
 - professional advisers
 - employers
 - administrators and others providing advice to the manager
- Reporters to determine if a breach has occurred based on reasonable cause and not a mere suspicion
- TPR provides example scenarios and RAG system for assessing scale of materiality by way of:
 - cause
 - effect
 - reaction
 - wider implications
- www.tpr.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf

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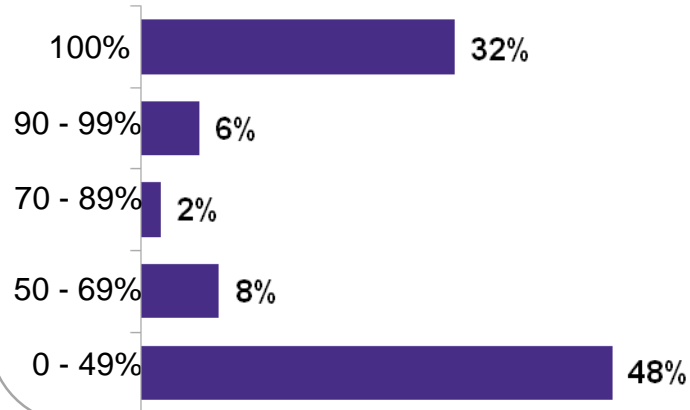
Case study - s89 Teachers' Pension Scheme

- 2 breach of law reports in 2016 from administrator
- 43 employers failing to submit their End of Year Certificates (EOYCs) to the scheme manager by the legal deadline
- Administrator had made multiple contacts with each employer
- Our engagement:
 - we engaged with non-compliant employers
 - engagement identified a lack of knowledge and understanding by employers on EOYC submissions
 - all but one employer now compliant
 - the scheme manager removed the final employer from the scheme (the employer has now gone insolvent)
- For more detail:
 - www.tpr.gov.uk/docs/regulatory-intervention-section-89-teachers.pdf

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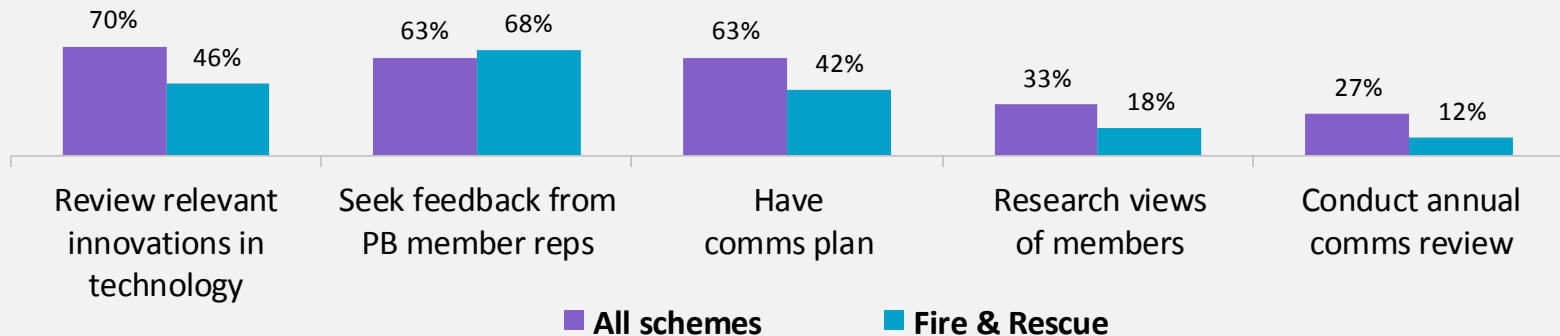
FPS member communications - survey results

Proportion of active members receiving annual benefit statement by statutory deadline



- Only a third of fire and rescue schemes reported that all members received their ABS on time
- 54% of memberships did not receive their ABS in time

Tools/processes to improve effectiveness of member communications

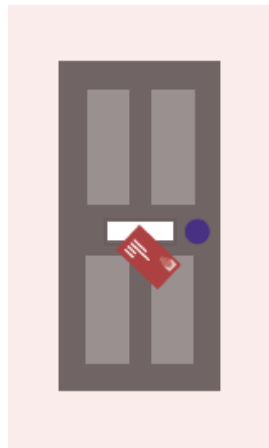


- The larger the scheme, the more likely it is to use a range of tools to try and improve comms

Over half of memberships did not receive their benefit statements in time. Fire and Rescue schemes less likely to have in place processes to improve member communications.

Member communications

- New requirement to issue an annual benefits statement - for more guidance:
 - www.tpr.gov.uk/docs/public-service-annual-benefit-statements-guide.pdf
 - www.tpr.gov.uk/docs/public-service-annual-benefits-statement-checklist.pdf
 - www.tpr.gov.uk/docs/PS-guide-key-information-to-provide-to-members.pdf
- We expect schemes to tackle the issues faced in the early years and for the proportion of members who receive their statements on time to improve
- Good communications are not just timely and accurate, but also clear - many pension boards advise on this perspective



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Challenges ahead

- Guaranteed minimum pension (GMP) reconciliation - ends December 2018
- Dashboards
- General Data Protection Regulation (GDPR) - May 25 2018
- Outcome of valuations



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Pensions dashboard

- Put forward in Budget 2016
- Prototype dashboard delivered by the ABI - <https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/>
- DWP now leading on feasibility study
- Whether scheme participation will be voluntary or mandatory is to be confirmed.

Welcome Emma Smith! last updated 27/03/2017 [refresh](#) [Logout](#)

Pensions found

4

Your pension income

at age
Annually
Monthly

65

£1,048

this number is a rough estimate

State Pension £676.80 monthly

Department for Work & Pensions
State Pension

£676.80 monthly
from age 67

Defined contribution pensions £56,984.00 total

Geopost (uk) Limited
Company scheme
Policy: AVC/201750805

£39,797.00 total

(ESTIMATED)

£281 monthly
from age 65

Dundee Toys
Company scheme
Policy: RLI/2399103

£2,534.00 total

(ESTIMATED)

£78 monthly
from age 65

Geopost (uk) Limited
Company scheme
Policy: AVC/201756143

£14,653.00 total

(ESTIMATED)

£78 monthly
from age 60

We have checked all providers. Do you think any of your pensions are missing? Check the status of all providers we've searched.

CHECK

© ABI

GDPR

- General Data Protection Regulation applies from 25 May 2018:
 - brings consistency across the EU
 - strengthens provisions of current data protection
 - stronger individual rights (new right to data portability)
 - new obligations on data processors
 - 72 hour reporting *if a breach is likely to result in a risk to people's rights and freedoms*
 - greatly enhanced fines available to the ICO
 - will remain after we leave the EU
- Data Protection Bill:
 - will replace 1998 Act
 - some implementation of GDPR, but other aspects.
 - pension scheme 'exception'

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Cyber resilience in pension schemes

- Pension schemes are potentially valuable targets for fraudsters as they hold large amounts of personal information
- Scheme managers are responsible for putting in place controls to ensure the security of data and assets
- TPR CEO has said that cyber should be on schemes' risk register
- Not just an administrator problem – what controls are around the data shared with the scheme actuary, legal advisers and pension board
- Not just about cyber 'defence' but cyber resilience:
 - look at systems, processes and people (access and training) to reduce the risk
 - prepare for when things go wrong – how to recover data, how to report internally and externally (members, ICO, TPR)

Cyber resources

- National Cyber Security Centre (part of GCHQ):
 - [Cyber essentials](#) - Government endorsed standards
 - [10 steps to cyber security](#)
- Government estimates that 80% of breaches could be prevented by following the ten steps
- Prepare for GDPR – controls put in place will also help mitigate the cyber risk

What can pension boards do?

- Robust governance processes including clear roles and responsibilities
- Engage with the regulator's work
- Support the scheme manager:
 - assess risks, challenge and ensure plans are in place
 - focus on top 3 risks
 - look ahead – GMP, dashboards, GDPR
- Knowledge and understanding
 - TPR toolkit

Useful tools, checklists and guidance (i)

- **Annual benefits statement** - www.tpr.gov.uk/docs/public-service-annual-benefit-statements-guide.pdf
www.tpr.gov.uk/docs/public-service-annual-benefits-statement-checklist.pdf
www.tpr.gov.uk/docs/PS-guide-key-information-to-provide-to-members.pdf
- **Data measuring guidance** - www.tpr.gov.uk/docs/measure-data-guide.pdf
- **GDPR guidance - Information Commissioner's Office (ICO)** - <https://ico.org.uk/for-organisations/guidance-index/>
- **Improvement plan guidance** - www.tpr.gov.uk/docs/improve-data-guide.pdf
- **Internal controls checklist** - www.tpr.gov.uk/docs/public-service-internal-controls-checklist.pdf

Useful tools, checklists and guidance (ii)

- **Public service - scheme self assessment toolkit -**
www.tpr.gov.uk/public-service-schemes/assess-your-scheme.aspx
- **Public service - personal self assessment tool -**
<https://education.thepensionsregulator.gov.uk/login/index.php>
- **Reporting a breach -**
www.tpr.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf
- **Risk register example -**
www.tpr.gov.uk/docs/public-service-example-risk-register.pdf
- **Trustee Toolkit -** <https://trusteetoolkit.thepensionsregulator.gov.uk/>

Useful links

- **Our website** - www.tpr.gov.uk/
- **Codes** - www.tpr.gov.uk/doc-library/codes.aspx
- **Code of practice 14 - Governance and administration of public service pension schemes** - www.tpr.gov.uk/public-service-schemes/code-of-practice.aspx
- **Governance** - www.tpr.gov.uk/21c-trustee
- **Latest research** - www.tpr.gov.uk/public-service-schemes/research-and-analysis.aspx
- **NAO report** - www.tpr.gov.uk/docs/vfm-review.pdf
- **Pension scams** - www.tpr.gov.uk/pension-scams.aspx
- **Public service area** - www.tpr.gov.uk/public-service-schemes.aspx
- **TPR Future** - www.tpr.gov.uk/about-us/protecting-workplace-pensions.aspx

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Thank you

We are here to help!

Request a guest speaker:

<https://secure.thepensionsregulator.gov.uk/speaker-request.aspx>

Contact us at:

www.tpr.gov.uk/contact-us.aspx

Subscribe to our news by email:

<https://forms.thepensionsregulator.gov.uk/subscribe.aspx>



The information we provide is for guidance only and should not be taken as a definitive interpretation of the law.

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Scheme Advisory Board



www.fpsboard.org

The Firefighters' Pension Scheme (England) SAB

[Welcome](#)

[About the Board](#)

[Board Committees](#)

[Board Publications](#)



About the Board

The Firefighters Pension Scheme (England) Scheme Advisory Board (the "Board") is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015



Purpose

[Useful Links](#)

Role of the S.A.B.

- **To provide advice, on request, to the Secretary of State on the desirability of making changes to the Firefighters' Pension Schemes**
- **To provide advice to Scheme Managers and Local Pension Boards in relation to the effective administration and management of the Firefighters' Pension Schemes**
- **To, where appropriate, offer advice to the Secretary of State in relation to matters not constituting a request.**

Case study - s89 Teachers' Pension Scheme

- 2 breach of law reports in 2016 from administrators
- 43 employers failed to submit their End of Year Certificates (EOYCs) to the scheme manager by the legal deadline
- Administrators made a number of compliance visits to employer
- Our engagement with employers
 - we engaged with employers to identify the reasons for non-compliance
 - engagement identified a number of issues and understanding by employers on FROCCs
 - all but one employer had submitted their EOYCs by the deadline
 - the scheme was able to recover contributions from the scheme (the employer was not insolvent)
- For more details on the case study, please see the following link:
 - www.tpr.gov.uk/docs/regulatory-intervention/intervention-89-teachers.pdf

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➤ **SAB sub-committees**

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

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

➤ **2016 Scheme Valuation**

- **Avoiding or minimising impacts on employer contributions and the Cost Cap**
- **Treatment of past service costs**
- **Valuation Assumptions**

➤ **Treatment of past service costs**

- **Milne v GAD commutation payments**
- **18-20 contribution refunds**
- **Modified RDS Scheme costs**
- **Identifying any additional costs**

	Employer Contribution	Cost Cap
GAD v Milne	This should not be considered an employer cost.	Should not form part of the cost cap calculation in line with HMT policy on cost cap
Modified RDS	The board consider that the cost of service prior to 2007 should be excluded from employer costs	Should not form part of the cost cap calculation for active service before 31.03.2015 and for deferreds and pensioners.
18-20 Contributions Holiday	Should not be considered an employer cost.	Should not form part of the cost cap calculation

➤ **Valuation assumptions**

- **Pensioner mortality**
- **Age retirement**
- **Ill-Health retirements**
- **Voluntary Withdrawal**
- **Death before retirement**
- **Promotional Pay**
- **Commutation**
- **Family statistics**

Roles and Responsibilities



Who's Who

Pension Board



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

Scheme Manager

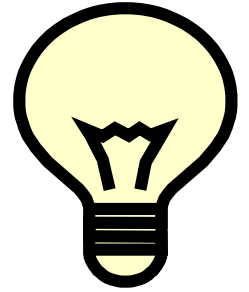


- Administer schemes
- Make scheme decisions
- Issue Communications
- Publish data
- Auditing
- IDRPs

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



Roles and Responsibilities

- Required by legislation to
 - Secure compliance with
 - (a) regulations and
 - (b) requirements imposed by the pensions regulator
 - To ensure the effective and efficient governance and administration of this scheme and any connected scheme
-

Board Members Responsibilities

- Notify Scheme Managers of Conflict of Interest
 - Keep Code of Conduct
 - Comply with TPR Code of Practice
 - Report Breaches of Law
 - Gain knowledge and Understanding
 - Assist Scheme Manager
-

Reporting 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 of the law – it's not just about reporting

Procedure

- Referral to appropriate person
- Clarify the facts
- Clarify the law
- Consider the significance
- Consideration of difficult cases
- Timeframe
- Recording



Examples

Legal failures:

- Late notification of benefits
- Errors in calculations
- Late notifications from employers
- Non Compliance



Knowledge and Understanding



Legal requirement of Section 248A of the Pensions Act 2004

- Must be conversant with:
 - the rules of the scheme, and
 - any document recording policy about the administration of the scheme.
 - Must have knowledge and understanding of:
 - the law relating to pensions, and
 - any other matters which are prescribed in regulations.
 - The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board
-

Scheme Manager Responsibilities

- Benefits and the Payment of Benefits
 - Decisions and Discretions
 - Disclosure of Information
 - Record Keeping
 - Internal Controls
 - Internal Dispute Resolution
 - Report Breaches of Law
 - Statements, Reports and Accounts
-

Scheme Discretions

- The regulations are written to determine that the scheme manager ‘may’ do certain things.
 - It is a scheme manager responsibility to make decisions
-

Scheme Discretion Examples

- [\[2015: 5\(2\)\]](#) The power to delegate the scheme manager function
 - [\[1992: B7\(5A\)\]](#) the power to allow full quarter commutation for those with over 25 years service and aged over 50 years
 - [\[2015: 62\]](#) To allow employer initiated retirement
 - [\[2015:68\]](#) Must have a policy on Ill Health reviews
-

Scheme Discretion Examples

- [\[2015: 111\(2\)\]](#) Contributions during absence from work due to illness, injury, trade dispute or authorised absence
 - [\[2006, Part 3, 7B\]](#) Discretion to allow certain benefits to be pensionable under an ‘Additional pension benefit’
-



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%

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

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

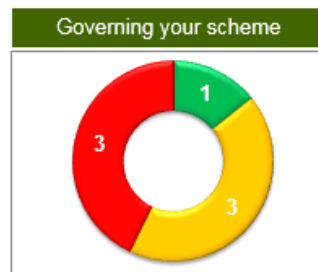
Results

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.

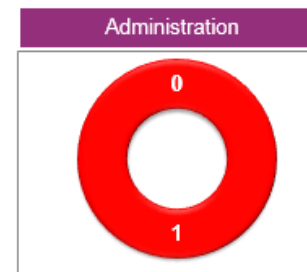
A summary of your results



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				
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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>
-

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>
-

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
-

Internal Controls

- Checklist
 - Questions for boards
-

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?
-

Communications

- High on TPR agenda
 - Challenge – how to reconcile statutory obligations and retirement planning
 - ABS Survey launched last week
 - Technology?
-

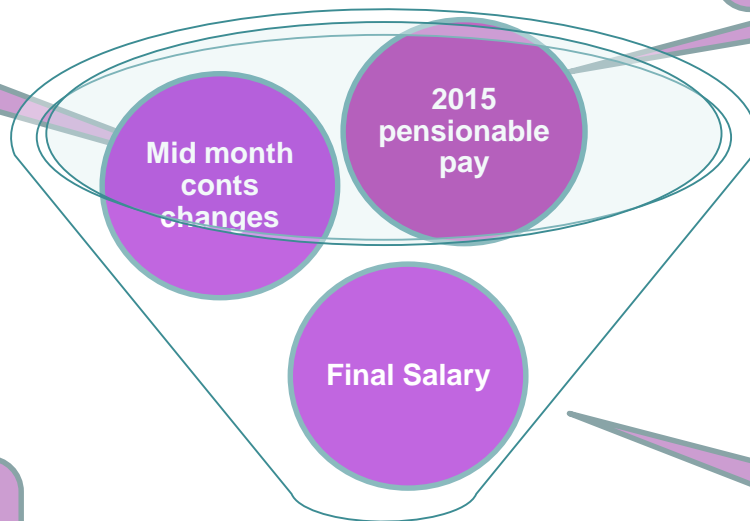
Health Check

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?
-

Record Keeping?

Inputs



Change of contribution rate for mid month tapering

CARE pensionable pay for scheme year

Mid month conts changes

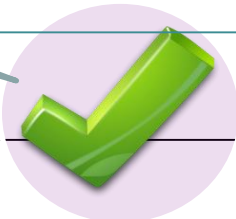
2015 pensionable pay

Final Salary

Link to final salary for transitional benefits

Correct pension

Outputs



2015 Scheme Pension Pot - Example

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

TPR quick guides

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

Update on current and future issues

Current/Future Issues

- 2017 amendment orders
 - Employer duty to provide information on tax
 - Scheme Reconciliation
 - Pensionable pay Decisions – Consequence on valuation
 - GDPR
 - Survivor benefits – Court judgments
 - Exit Cap
 - Dashboards
-

2017 amendment orders laid

- Survivors benefits
 - Minor 2015 scheme amendments
-

III-Health for transition members

- Need a process in place to ensure payroll does not move a member into the 2015 scheme IF an IQMP is currently taking place



PPA - Ombudsman

- [Ombudsman's Determination PO-7096](#)
 - Employer of a member with a PPA should have provided information about the possible adverse tax consequences of becoming re-employed after starting to receive his pension.
-

Protected Pension Age (PPA)

- Only applies to those under age 55.
 - In 2010, changes to the Finance Act 2004 changed the normal minimum pension age from 50 to 55. Firefighters (and Police Officers) were given a protected pension age, meaning they could still retire early under the rules BUT that if they were re-employed unless they satisfied the employment conditions the benefits paid to them could become unauthorised payments and they would face a tax bill.
 - Tax bill could be taxation of lump sum, plus every pension instalment, until they reach age 55 up to 70%.
-

Other effects

- The effect of the determination is that Pension Boards and Scheme Managers should ensure that information on important tax changes is provided to employees who are or may be affected by them.
 - This is not just in relation to protected pension ages, but with regards possible tax charges that may be applied on exceeding annual allowance or lifetime allowances
 - [Link](#) to Eversheds document this view was based on:
-

Taxation Changes

- Introduction of Tapered Annual Allowance
 - Lifetime Allowance
-

Tax Seminars

Venue	Date
London	25 th October
Leeds	15 th November
Amersham	29 th November
Liverpool	5 th December
Bromsgrove	6 th Dec
Cheltenham	8 th January
London	10 th January

Scheme Reconciliation

- Common misnomer – GMP Reconciliation
 - New state pension to be introduced from 6 April 2016
 - HMRC shutting it's doors on contracted out data queries from December 2018 and will be writing to members after that date.
 - Foundation amount based on HMRC records of contracted out service and contributions
-

Reconciliation Stages

Stage 1

- Request HMRC Data and perform initial analysis

Stage 2

- Reconcile

Stage 3

- Update Scheme Data
-

GDPR

- From 25 May 2018 the EU General Data Protection Regulation (GDPR) introduces new legislation governing the collection, use, and processing of personal data.
 - The Information Commissioner's Office has prepared a [12 step guide](#) on actions that organisations should take in advance of the implementation date to ensure that they are compliant
-

Survivor benefits – Court Judgments

- Brewster – Nomination of cohabiting partner -
 - Walker – Same Sex marriage / Civil Partner Survivors pension
-

Exit Cap

- Enhanced Commutation
 - Authority initiated early retirement
 - Early retirement from the 2015 scheme is excluded in [draft regs](#)[3(2b)]
-

Government Pensions Dashboards

- Collaboration of largest pension providers to produce a prototype of a pensions dashboard
 - A platform to allow savers to view all their pension pots through a single portal.
 - The aim is for the dashboard to be launched in April 2019.
-

Government Pensions Dashboards

- Indications are that, for defined benefit schemes, the dashboard will show ‘most recent’ information on benefits, likely to be that contained in the last annual benefit statement.
 - Further information can be found on <https://pensionsdashboardproject.uk/>
-

Any questions





With thanks and credit to:

- AON
 - The Pensions Regulator
 - KPMG
 - ITM
 - Eversheds Sutherland
 - Nottinghamshire Fire & Rescue
 - Greater Manchester Fire & Rescue
-

Disclaimer

- **The information contained in these slides are the authors interpretation of the current regulations.**
 - **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

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