



# Firefighters' Pensions England

Scheme Advisory Board

## LPB EFFECTIVENESS COMMITTEE

### **ACTIONS AND AGREEMENTS**

**Wednesday 7 August 2019**

18 Smith Square, Westminster, London SW1P 3HZ

### **PRESENT**

Tristan Ashby (TA)	Chair
Malcolm Eastwood (ME)	Scheme Advisory Board chair
Clair Alcock (CA)	LGA
Dave Limer (DL)	SAB Scheme member representative
Cllr Roger Phillips (RP)	SAB Scheme employer representative
Ian Howe (IH)	Technical/ Admin representative (Leics CC)
Debbie Yeates (DY)	FRA/ HR representative (Lincolnshire)
Alan Tranter (AT)	FRA/ LPB representative (West Midlands)
Becky Smeathers (BS)	FRA/ Finance representative (Nottinghamshire)
Claire Hey (CH)	LGA – Board secretariat (minutes)

### **1. Introductions and apologies**

- 1.1. Introductions were made around the room as three members were attending for the first time: Cllr Roger Phillips, Alan Tranter, and Becky Smeathers.

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

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

### **3. Changes to membership**

- 3.1. AT from the West Midlands Fire Service pension board has joined the committee to replace Stuart Wilson as FRA/ LPB representative.

### **4. Review previous actions (18 April 2019<sup>1</sup>)**

- 4.1. The minutes of the previous meeting were agreed.

#### ***i. CA to draft factsheet on reporting ABS breaches.***

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<sup>1</sup> <http://www.fpsboard.org/images/PDF/LPBsub/Minutes180419.pdf>

4.2. Action carried forward.

**ii. CA to develop RAG matrix of board engagement, with a checklist for committee members attending meetings.**

4.3. Action carried forward. CA to compile a basic checklist for committee members observing LPB meetings.

**iii. CA to liaise with BS regarding status of the East Midlands joint board application.**

4.4. Application has now been submitted to the Secretary of State and is awaiting decision. BS said that the Home Office have emailed to confirm there will be a slight delay.

4.5. TA queried whether the new minister for Fire has been announced following the Cabinet reshuffle. CA confirmed that Kit Malthouse has replaced Nick Hurd as minister for Policing and the Fire Service.

**iv. CA to circulate draft guidance to SAB by email for review and approval.**

4.6. Joint board guidance as prepared by the committee was submitted to the SAB for approval on 13 June 2019 and was published with FPS Bulletin 21<sup>2</sup>.

**v. CA to invite system providers to next meeting on 7 August 2019.**

4.7. The decision was taken not to invite the system providers following discussion at the CLASS AGM in July. Further commentary is provided under item 6.

**vi. CA to develop short, high-level slide deck and send Go-To Meeting request (new action iii).**

4.8. Action carried forward. TA has put together some brief slides which have been used at meetings attended.

**vii. CH to review draft TOR and issue a revised tracked version to FRAs.**

4.9. Revised TOR reviewed by committee and issued to FRAS with FPS Bulletin 21<sup>3</sup>. IH had raised whether joint boards were covered by these terms. CH confirmed that this would be addressed separately once the outcome of the application is known.

## **5. Joint Board applications - verbal update**

5.1. BS noted as above that the application has now been submitted, adding that the proposal also addresses points raised within the TPR governance and administration survey report, regarding resilience and maintaining knowledge.

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<sup>2</sup> <http://www.fpsboard.org/images/PDF/Bulletin21/Appendix5.pdf>

<sup>3</sup> <http://www.fpsboard.org/images/PDF/Bulletin21/Appendix7.docx>

5.2. IH said that although the outcome is not yet known, the argument presented within the submission is as strong as it can be. CA will highlight the level of robustness again to the Home Office, noting that this will strengthen the position of the boards both individually and as a collective.

## **6. Feedback from CLASS AGM and SE FPOG**

6.1. IH explained that the CLASS user group sits between software provider Aquila Heywood and the system users, to provide feedback and liaison between the parties. The AGM is held each July and consists of plenary and breakout session to update users on current issues or future developments.

6.2. As chair of the Police and Fire user group, IH led two dedicated breakout sessions built around the effectiveness of LPBs in practice, including how information such as breach reporting is fed back to boards. IH confirmed that the sessions had received good feedback. A current focus is on the provision of online member self-service and the expectations driven by the pension dashboard project.

6.3. DY asked whether other suppliers are likely to follow suit. Lincolnshire's administrator is currently rolling out limited self-service facility, but have now asked members to stop registering. IH confirmed that similar issues affect both commonly used administration systems due to the complexity of calculations and current protections. Leicestershire are ready for the service to go live with a strong caveat on the projection tools. Aquila Heywood have been informed of faults and are working to resolve these.

6.4. DY asked whether software issues tie in with the Aon review of scheme administration and what incentive there is for suppliers to provide fixes. IH explained that Heywood provide two software releases per year as part of their contract. If any fundamental flaws are discovered, patches are released to fix them. As there is a strong focus on member self-service, they are keen to resolve issues quickly. CA added that IH's role on the committee promotes these concerns at a national level.

6.5. CA noted that Civica attended the FPS data conference in April to demonstrate their member self-service offer<sup>4</sup>. The demonstration at the data conference had focussed on the functionality of the software, rather than the background calculations, so it is not known how much development has been made without a further update. The group agreed however that with the Sargeant remedy unknown at this stage, further development would be unlikely until the principles of remedy are established.

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<https://www.local.gov.uk/sites/default/files/documents/Civica%20Presentation%2003%2004%2019.pdf>

- 6.6. IH added that this point also applies to providing projections on Annual Benefit Statements (ABS). All FRAs administered by Leicestershire CC wanted to include projections despite the uncertainty and the LPBs' top requirement is for members to be able to run projections and model their own benefits online. AT highlighted that people want different information at different points in their career and asked whether the cost of providing this service outweighs the value to members.
- 6.7. DY queried whether the cost of new releases and patches is passed on to clients through increasing prices or attraction of new clients, adding that this would drive up the cost of administration. WYPF prioritise cases closer to retirement when providing estimates as online facilities are not currently available.
- 6.8. IH stated that online modelling can also assist younger members with career planning and can flag up the likelihood of an annual allowance breach and how this might be managed. Online self-service will reduce the volume of estimate requests; Leicestershire's administration strategy states that one free estimate will be provided within a 12 month period, but this is not the basis that Heywood's MSS module is implemented.
- 6.9. IH is confident that the service can be launched within the next three months. Outputs are expected to be correct in 99% of cases, with the exception of AA breaches, special members of FPS 2006, current year transition members, where maximum tax free lump sum is exceeded, and CPD, although this has minimal impact.
- 6.10. CA explained that the CLASS AGM had been opened up to non-Heywood clients for the first time this year. CA said that the breakout sessions had discussed ABS and the value of including projections, although this decision should be made by the FRA in conjunction with their administrator and there are pros and cons to both options. CA emphasised that any projections can only be based on the current regulations in force. No indication of statistics on inclusion is available.
- 6.11. BS stated that the Nottinghamshire LPB had a strong view to include projections as this is the first thing that members look at. DY added that WYPF are offering an extended range of projections this year to try to reduce the volume of subsequent estimate requests.
- 6.12. RP stated that errors in calculations carry a reputational risk for software suppliers and that caveats should be provided on ABS projections. RP suggested that, as the root of many problems seems to lie with the complexities of the scheme, this should be reported to TPR.
- 6.13. CA said that the risks discussed mainly relate to online self-service rather than ABS. The expectation is that LPBs will support and engage with software issues. The Aon report demonstrates that a combination of a small, complex scheme with limited number of members leads to a higher cost per member. FRAs may not be able or willing to pay an increased cost, therefore the committee should consider whether to accept the costs as read or look into alternatives.

6.14. IH noted that Heywood are involved with the pension dashboard project on the technical side, so their member self-service offer needs to be fit for purpose and it is in their interests to resolve any outstanding issues. CA agreed that the dashboard and scheme reform will drive expectation of electronic communications, however, cost is a primary factor.

6.15. CA proposed the following options to engage with software suppliers using the evidence from the administration review and discussions at previous committee meetings :

- i. Invite providers to the next SAB meeting in October.
- ii. Set up a separate engagement group with the committee chairs, IH as CLASS P&F user group chair, and Helen Scargill as technical adviser to the SAB.
- iii. A dedicated workshop at the Fire Pensions annual conference.

6.16. The committee unanimously supported the creation of an engagement group. RP stated that the full SAB must also have sight of this to promote the group's agenda.

**Action:**

- iv. **CA to set up meeting of software engagement group in line with option ii.**

6.17. TA fed back from the recent South East regional Fire Pension Officer Group (FPOG) attended on 26 July, stating that he had appreciated the invitation and the group were very enthusiastic. CH asked for views on how FPOGs could best engage with LPBs. TA said he would expect attendees to feed relevant points back to their respective boards and added that this visit had generated a further invite to an LPB meeting.

6.18. DY stated that the Lincolnshire representative feeds back from the NE group to the LPB, as well as attendance by the administrator, and it is useful to get peer views and support. IH added that the Midlands group mainly consists of administrators, as Leicestershire CC hold separate quarterly client meetings for their FRAs. CA confirmed that some groups are more administrator-led, however, the meetings can be very useful for FRA liaison officers.

6.19. TA encouraged committee members to attend a regional group if they had opportunity and asked whether members could be granted access to the FPOG minutes.

**Action:**

- v. **CH to create login details for member-restricted area of [www.fpsregs.org](http://www.fpsregs.org) for committee members and share dates of forthcoming FPOGs.**

## 7. TPR Governance & Admin survey results 2018<sup>5</sup>

- 7.1. CA confirmed intent to create a brief FPS commentary on outcomes of the TPR research report. Fire schemes have been named in the pensions press as holding least frequent LPB meetings and TPR have noted that they expect to see an improvement. This is a clear message from the Regulator which may potentially lead to cohort work as for LGPS in 2017 and carries the risk of reputational damage.
- 7.2. CA added that the increase in percentage scores is good, although there is still room for improvement. Both the TPR and Aon reports demonstrate mixed messages concerning knowledge and understanding. BS suggested that schemes may have access to the necessary resources, but do not understand how to apply the knowledge in practice.
- 7.3. CA said that LPBs should use the report to identify where efforts can be concentrated to improve effectiveness, and also as a self-assessment tool. ME expressed frustration over lack of LPB engagement, given the level of support and resources available. ME acknowledged that there have been significant improvements, yet there is a lack of interest at senior management level and a high turn-over of board members.
- 7.4. RP stated that LPBs were initially seen as an additional layer of bureaucracy, and not mainstream or important, although the landscape is gradually improving. RP stressed that LPBs are a statutory requirement and noted mixed experiences of TPR engagement on cohort work and reporting of breaches, through his role as chair of the LGPS SAB.
- 7.5. AT noted a disconnect between the scheme manager and LPB in his personal experience. The scheme manager is a corporate entity rather than a named individual and there is a perceived lack of accountability. TA said that this is not an isolated problem as some FRAs cannot identify their scheme manager.
- 7.6. CA agreed that this is the root of many problems. While resources are available and signposted, they are not being used. LPBs exist to hold the scheme manager to account, yet the responsibility is frequently delegated too far down the hierarchy within an organisation, and adequate reporting is not taking place. CA confirmed that feedback from LGA board training is good and can provide signposting to resources. However, the impetus to improve is soon lost as delegates return to business as usual.
- 7.7. TA asked whether Fire schemes would benefit from cohort work to improve engagement, as there is a lack of interest and motivation despite the support and resources provided. DY highlighted that FRAs have many conflicting priorities and pensions are not seen as a key risk by Lincolnshire; although the scheme is costly to manage, it is felt to be managed correctly in the majority of cases.

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<sup>5</sup> <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2019.ashx>

- 7.8. BS stated that Nottinghamshire have three meetings per year and these are always well attended. The board advise and provide guidance to the scheme manager, without making decisions. Training is provided at the end of each meeting. BS added that the meeting format will be revisited if the joint board application is approved.
- 7.9. CA agreed that there is no issue where the risks have been considered and understood, such as not meeting quarterly. There is nothing in legislation to enforce meeting frequency, despite a push to include this when the governance regulations were drafted. DY commented that boards could be meeting four times a year, but not addressing any issues or risks. ME added that boards with budget and resources still struggle with scheme manager engagement.
- 7.10. RP suggested that a message be drafted from the SAB to alert schemes to the findings of the TPR report and possibility of cohort work, although this could be a welcome intervention to drive improvement.
- 7.11. DL agreed that the above could be linked to both the TPR and Aon reports and thanked DY for her honest and frank feedback from an FRA perspective. DL asked whether potential breaches are going unrecorded/ unreported, such as where an administrator refers the issue to the scheme manager to assess the possible breach and the scheme manager may not want to risk reputational damage. DL pointed out that the Aon report highlights a low level of breach reporting.
- 7.12. IH stated it was interesting to observe these discussions as an administrator, as administrators also have a role to play in feeding back to boards. . Leicestershire CC hold meetings with scheme managers to flag issues. IH agreed that the scheme manager should be a named individual.
- 7.13. DY asked for a timescale on the FPS commentary. CA confirmed this would be relatively soon. The AGM will also focus on the TPR results; CA hopes to engage high level scheme managers to share their experiences and the importance of this role to the organisation, such as making determinations on pensionable pay, and possibly duplicate this session at the next LGA annual fire conference.
- 7.14. TA suggested that a letter from the chair to scheme managers be enclosed with the commentary, to raise awareness. ME proposed that CFOs be added to the distribution list. BS asked if there is value in offering joint regional governance session. CA confirmed that this is available if required. CA had recently been invited to provide training to CFOs in the NW region, which had been extremely useful.

**Action:**

- vi. **TA to draft letter to scheme managers to accompany commentary.**
- vii. **CH to provide update at next meeting on LPB engagement tracking and stats.**

7.15. IH suggested that the letter could flag areas to FRAs that they may wish to focus on based on the LGPS cohort work. RP felt that this may be too formal and would be more appropriate as an informal discussion. CA noted that the headings within the commentary were probably useful signposts. DY highlighted that timing would be important as the summary will emphasise issues to focus on, in advance of any dip sampling. DY added that similar areas could be a future focus for HMICFRS under use of resources, as salary and pensions account for such a large proportion of FRA budgets.

## **8. Outcomes from Aon benchmarking review**

8.1. Paper 1 outlined considerations for the committee in respect of the Aon administration and benchmarking review. CA explained that the points raised were similar to those identified by TPR and although the effectiveness of LPBs was not part of Aon's remit, the report had made the following recommendations with reference to the role of boards:

- i. Improved monitoring – encourage administrators to attend and report for LPBs
- ii. Data reviews, collaboration – timely administration reports. Greater involvement of boards, to encourage provision of electronic data and monthly contribution postings.
- iii. Improved relationships and engagement – LPBs to play key role in improving administration standards and signposting resources to stakeholders.
- iv. Improved understanding of breaches – results indicate that breaches are not being widely reported, despite existing guidance. Guidance to be reissued and highlight need for recording as well as reporting breaches, using template.

8.2. CA said that consideration is also being given to the development of a fire pensions qualification or accredited training to improve knowledge and understanding, and formalise the current FPS training which is provided. CA confirmed that the report will be only be published once the SAB have finalised the recommendations and any amendments made as necessary.

8.3. DY noted that Lincolnshire had experienced difficulty in providing cost information for the employer survey, as the County Council operate a shared service which includes pension administration. While there is a view that costs should be reduced, this will be challenging if current expenditure cannot be determined.

8.4. RP commented that the integrity of the scheme is called into question if costs cannot be established. RP suggested that data should be gathered annually to enhance transparency and understanding of the costs of running the scheme, and that cross-subsidisation of the scheme by LGPS must be identified. CA said that the report makes clear the review was a fact-finding exercise in the first instance, and goes on to recommend the development of a data collection template.



- 8.5. CA agreed that the outcomes from the year one surveys have established a starting point and provided evidence for recommendations to be taken forward; there was no intention to benchmark FRAs against each other.
- 8.6. CA added that it has been difficult to benchmark scheme costs due to a lack of suitable comparator, although the report has tried to provide context. There are too many variances with the LGPS and while the Police scheme would be ideal, no cost data is available. CA suggested that further clarification be added to the report to state that costs are not definitive.
- 8.7. AT observed that while there were areas of crossover within the TPR and Aon reports, there were some discrepancies in the results. DY suggested this could be due to different people completing each survey. CA stated that clear instructions on completing the Aon survey were given, which explained that input may be needed from various departments, and attributed this to an absence of senior management oversight which could raise questions over lack of governance.
- 8.8. DY commented that the context of the survey responses to Question 9 in Appendix 4 was unclear and this could be expanded upon. DY said that the results could be useful to evidence poor service from administrators and asked whether there was any indication that in-house administration is more effective than out-sourced. CA responded that the SAB have no authority to stipulate a preferred administrator, however, the report goes some way to showing why the current situation is so challenging.
- 8.9. CA confirmed that the joint meeting of the Administration and Benchmarking and Cost-effectiveness committees on 15 August will discuss the detailed recommendations and report back to the full SAB on actions to be taken.

## 9. LPB engagement

- 9.1. This item was largely covered by TA under item 6, however, for the benefit of new committee members TA outlined the expectation that committee members will attend LPBs to raise awareness of the SAB and LPB effectiveness committee.
- 9.2. TA has attended a number of meetings in the Eastern region and encouraged members to start arranging visits where possible. This is a standing item on the agenda and CA plans to develop a template presentation to assist those attending to deliver a consistent message (*Action iii*).

## 10. 2019 work-plan

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

- i. Consider whether items arising from the outcomes of SAB and TPR surveys demonstrate need for a business case to the Home Office for regulatory change – no longer deemed to be an issue given current difficulty in effecting any legislative change.

- ii. Publication of LPB annual report template – [Nottinghamshire FRS](#).
- iii. Group members to attend LPB meetings and/ or training – standing item.
- iv. Publish commentary on combined survey results – completed via LPB training.
- v. Publish joint board guidance and promote support available to applicants.
- vi. Consider how to engage with LPBs who do not respond to requests for information nor attend training and events.
- vii. Publication of ABS 2018 survey research report.
- viii. Engage with software suppliers on FPS2006 special members and online self-service.
- ix. Revise and publish draft LPB Terms of Reference.
- x. Develop SAB survey of LPBs to be launched in March 2020.
- xi. Develop matrix of LPB performance to benchmark survey results.

10.2. DY asked whether the TPR and Aon recommendations are a new work-plan item and whether LPBs need to be prepared for the next round of surveys. CA clarified that the need for preparation will be added to the end of the FPS commentary. Further to this, CA asked the committee for views on whether the SAB survey of LPBs from 2017 should now be re-run.

10.3. RP stated that the LPGS SAB have recently issued a board survey to monitor development and evidence improvement. RP suggested that a survey would aid engagement, but thought must be given to the questions and timing. DY agreed that it should not be issued at the same time as the TPR survey and scheme return. TA suggested March as a reasonable timeframe to develop and launch the survey.

10.4. AT highlighted the need for consistency in individuals completing surveys. CA added that the LPB should at least have sight of responses and ideally the board chair would complete the survey with the scheme manager.

10.5. BS remarked that the survey must be clear on what is required, with questions that are different from the TPR survey, or authorities may feel that they are duplicating responses. CA noted that the SAB survey will look more closely into which boards are having difficulty in meeting their statutory requirements, and why.

10.6. IH agreed that more scrutiny is required in order to drive improvement and suggested development of a matrix to benchmark LPB performance. CA asked the committee to consider what makes a good board, for discussion at the next meeting.

## 11. Future meeting dates and venues

- 14 November 2019 (18 Smith Square)

## 12. AOB

12.1. No items of AOB were raised. The meeting closed at 14:05