

Firefighter Pension Scheme

Governance

Pre Conference networking event for Local
Pension Board Chairs and advisers

10th October 2016

Agenda

- Chair's Welcome
- Strategic Pensions Board Governance, Ian Pollitt, KPMG
- Helen Gibson, The Pensions Regulator
- Panel Session
- Drinks Reception

Chair's welcome

Malcolm Eastwood

Chair of the Firefighters Scheme Advisory
Board (England)



Home Office

Marc Sherratt

Head of the Firefighters' Pensions Team

10 October 2016



Firefighters' Pension Conference 2016

Ian Pollitt CBE

10 October 2016





Pension Governance – what next?



Pensions (still) in the news

Response to consultation on public sector exit payments reforms published

Triple Lock should be scrapped

HMRC reports increase in breaches of lifetime allowance limit

Pensions Dashboard prototype will be ready by March 2017

Labour Party backs motion to introduce a flexible SPA

Nuclear officers can't retire at 60 as they are not members of a police service – Court rules

Annual allowance reduced to £10k, Lifetime allowance to £1m

Reminder of what happened

1970s to 1990s schemes

Mid 2000s reviews and new schemes

Lord Hutton's Independent Public Service Pension Commission

Public Service Pension Act 2013

2015 schemes

The Pensions Regulator

Pension Boards

Scheme Advisory Boards

Pension Tax

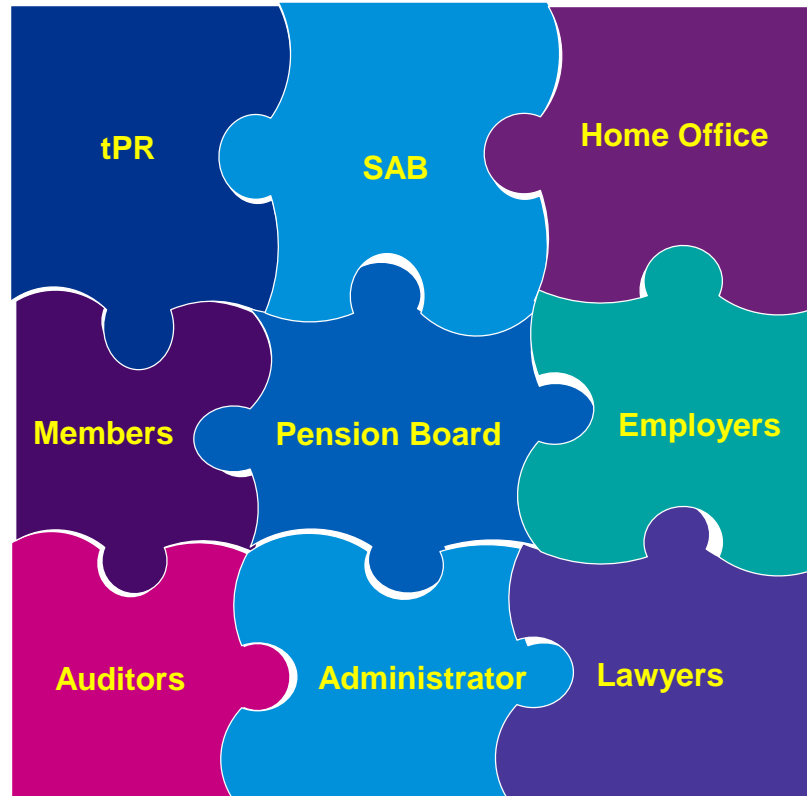
Lifetime ISAs

Pension Dashboard

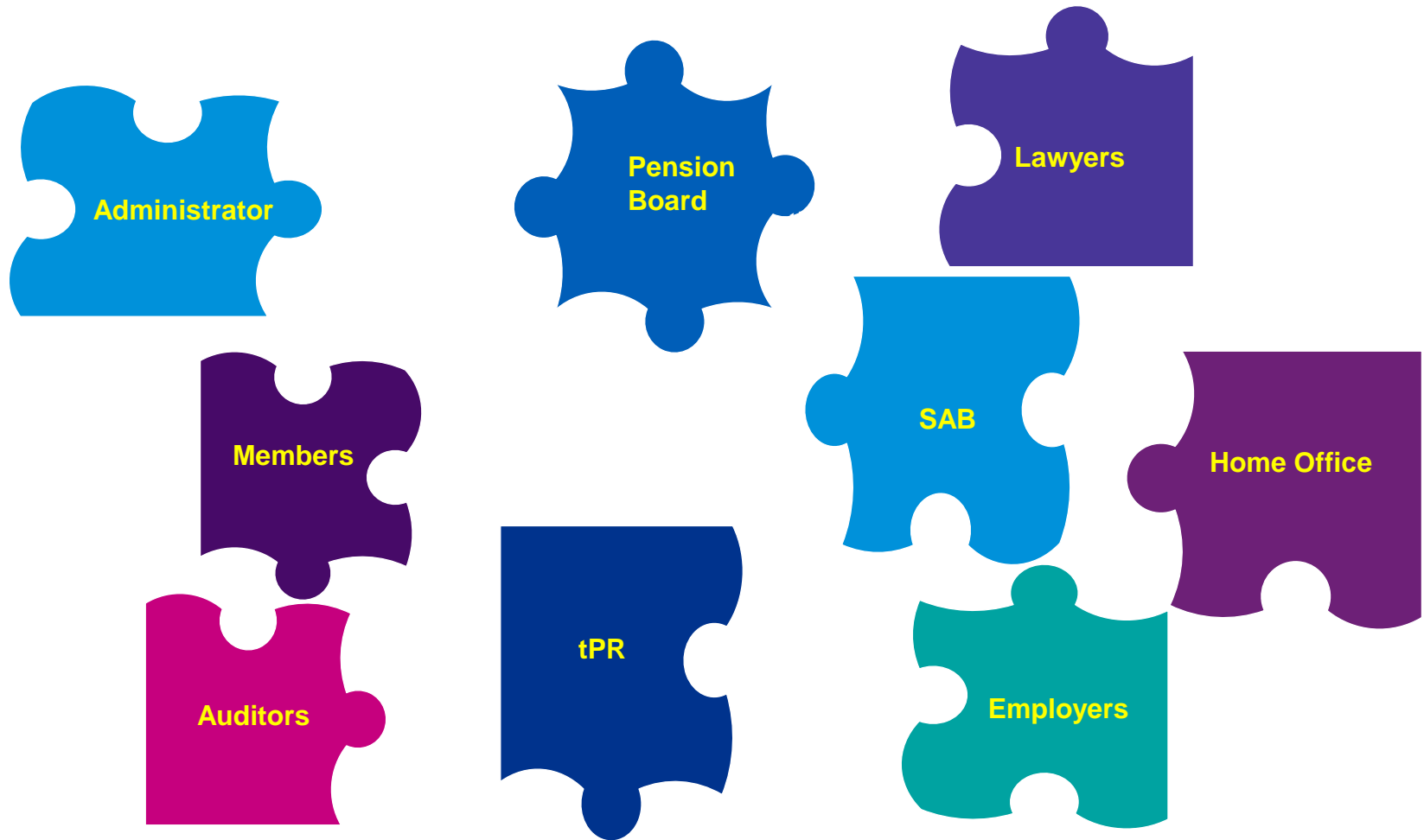
How are you doing?

- Establish a Pension Board ✓
- Decide on membership, Chair, term of office ✓
- Terms of Reference, Code of Conduct etc. ✓
- Meetings - frequency ✓
- Training of members ✓
- Secretariat ✓
- Scope – Passive or Active?
- Sub-committees e.g. Communications?
- Benchmarking – how much does the scheme admin cost?
- Communications strategy? – websites, annual report etc
- Administration strategy? – consolidation?
- Independent advice?
- Do the Pension Boards and Scheme Advisory Board talk? Relations with other schemes?

Pensions jigsaw



Pensions jigsaw



What's next?

- Valuation – pressure on costs
- Communications – need to improve
- Opt-outs – need to control
- Pension tax – need to inform
- Pensions Dashboard – how will it work?
- Costs of administration – do you know?
- Pressure to consolidate?
- Retirement age – review?
- More pressure to reform?
- tPR focus: internal controls, record keeping, communications





Pension Boards - How can they improve?

Pension Board Effectiveness

Current governance code in force:

Code of practice 14 – ‘Governance and administration of public service pension schemes – issued in April 2015

Since then, tPR has been carrying out extensive research on pension scheme governance and trusteeship.

Latest tPR publication: “21st Century Trusteeship”, July 2016

“... good governance and the importance of board effectiveness are universal and are equally relevant to DB, DC and public service pension schemes ...”

21st Century Trusteeship and Governance

Discussion paper

14/01/16

Our evidence review data also suggests a trend in the ‘professionalisation’ of trustees, with the generation of schemes without a professional trustee decreasing in the last five years. While the increased inclusion of professional trustees might be partly driven by small DC schemes without professional trustees being more likely to wind up, increased governance requirements and the greater complexity associated with setting-up pension schemes are also a key factor.

We do not expect all trustees to be professionalised although we do expect all trustees to behave professionally. However, unlike lay trustees, professional trustees are remunerated. Local Authorities, for example, do not have a right to require higher standards from them. For there to be a barrier to entry into the market, trustees can become a professional trustee and unlike other professions, there is also no independent body regulating standards. While we have met many competent professional trustees in our engagements with schemes and have witnessed first-hand the significant benefits they can bring to scheme governance, we have also come across a few who are clearly unfit for the role. This function needs to consider whether greater scrutiny and safeguarding is required, particularly given the trend to the professionalisation of trusteeship.

Initiatives such as those from the Association of Professional Pension Trustees (APPT) Council and the Pension Management Institute (PMI) who are looking to introduce a new qualification for professional trustees (Diploma in Pension Trusteeship)² can help raise standards among those who hold trustee or professional trustee qualifications in the industry.

The make up of an effective trustee board



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21st Century Trusteeship and Governance

Pension Board Effectiveness

“...many trustees are not meeting the standards of pension scheme stewardship that TPR expects...”

The Pensions
Regulator

Remedy?

“Trustees [pension boards] should carry out an **annual evaluation of the performance and effectiveness of the board as a whole**”

Assessing pension board effectiveness

How would you run such an evaluation?

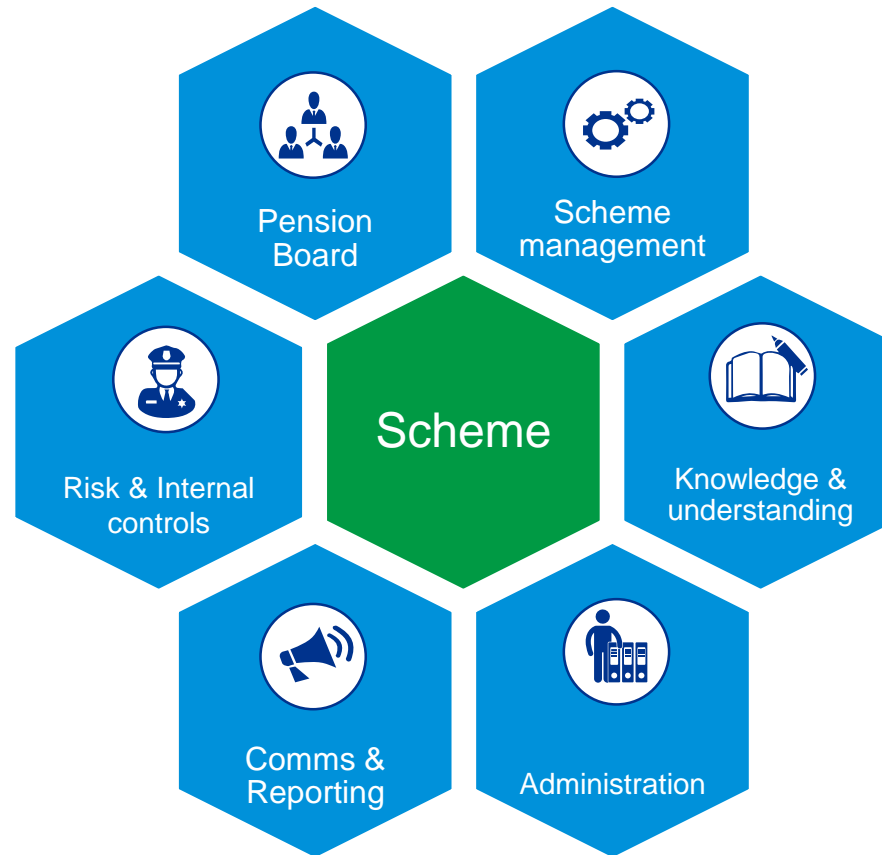
Suggestions from tPR:

- Peer review process
- Through the scheme secretary
- By issuing an open or secure questionnaire
- Employ an external agency to carry out a review

Recommended for larger boards and schemes:

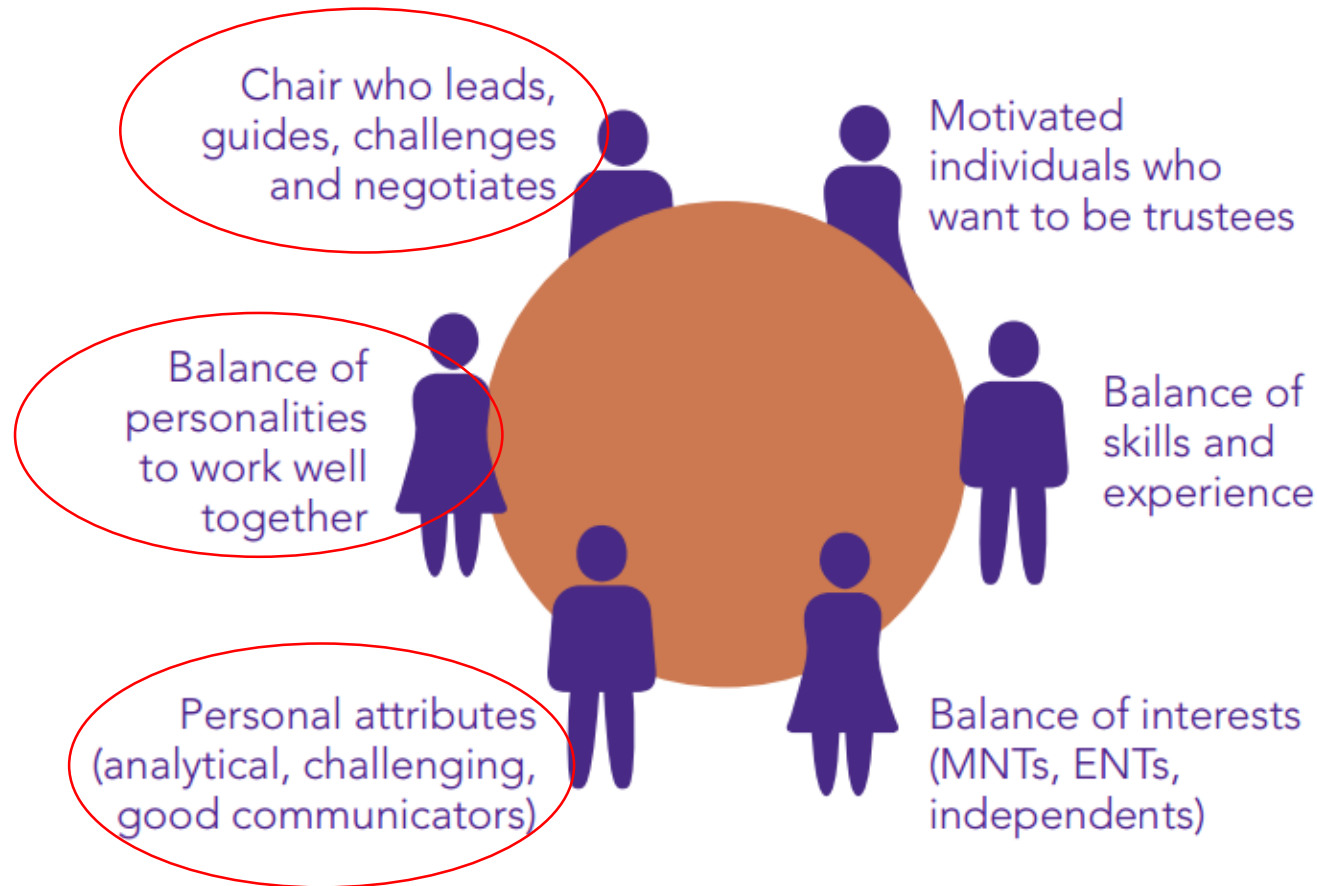
- **Anonymous platform to be open and honest**
- **Maintains independence**
- **Reduce internal conflicts of interest**
- **Better market insight and methods from experienced third party**

Operational / technical aspects



"21st Century Trusteeship and Governance"

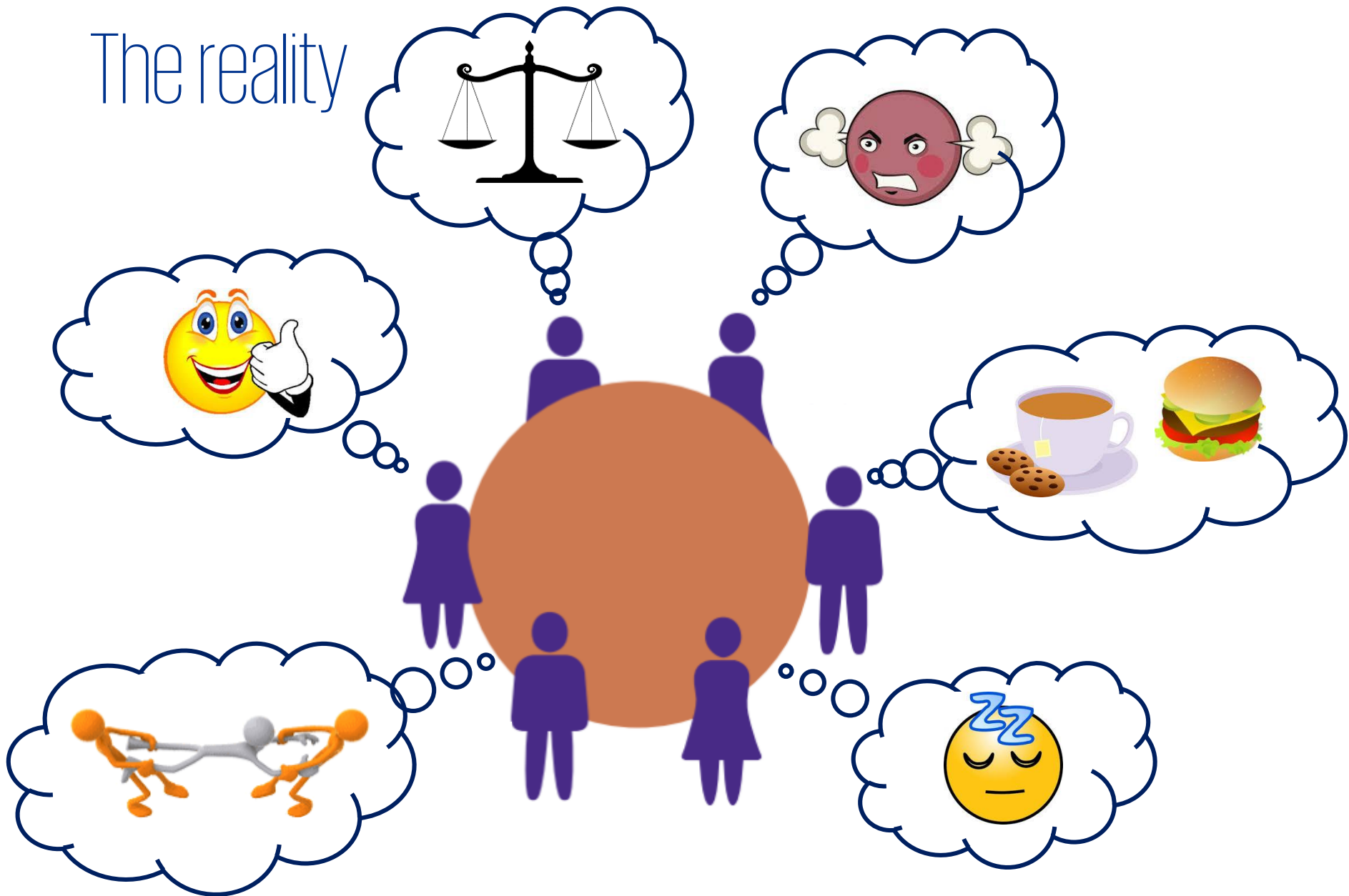
The make up of an effective trustee board



TPR, July 2016

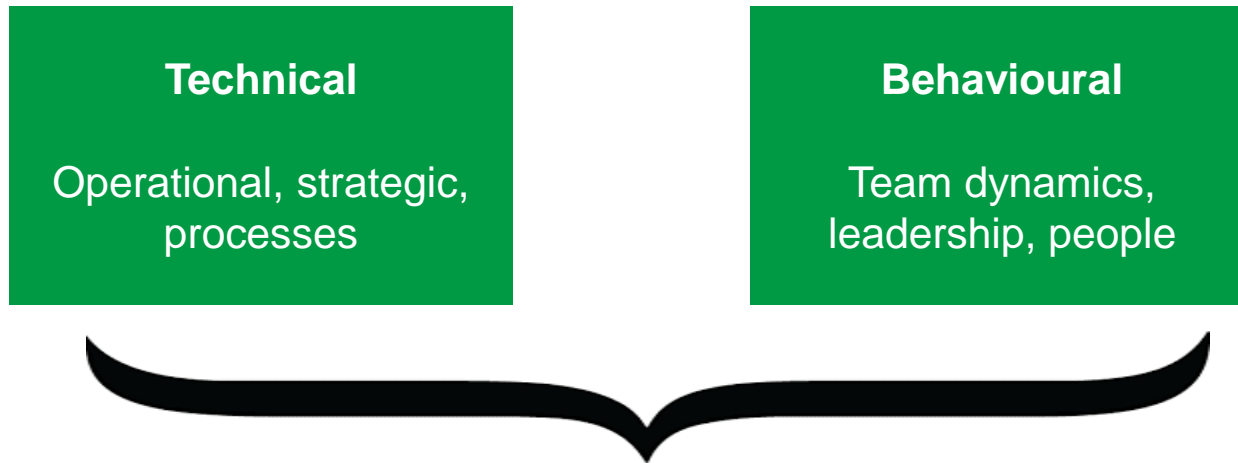


The reality



21st century trusteeship and governance

2 dimensions to pension board effectiveness



Board effectiveness review should cover both

... but how do we measure this?



Elite Performance
Psychology
Commercial

Research Driven
Validated Assessments
Elite Facilitation



KPMG & Lane4 alliance

Technical



Behavioural



Pension Board Effectiveness Review

- Assess, identify, improve, track
- Working in partnership with board members
- Unique in the market – at least for now...



Thank you

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Public Service Pensions Regulation

Helen Gibson

Annual Fire Pensions Pre-Conference
Networking Event

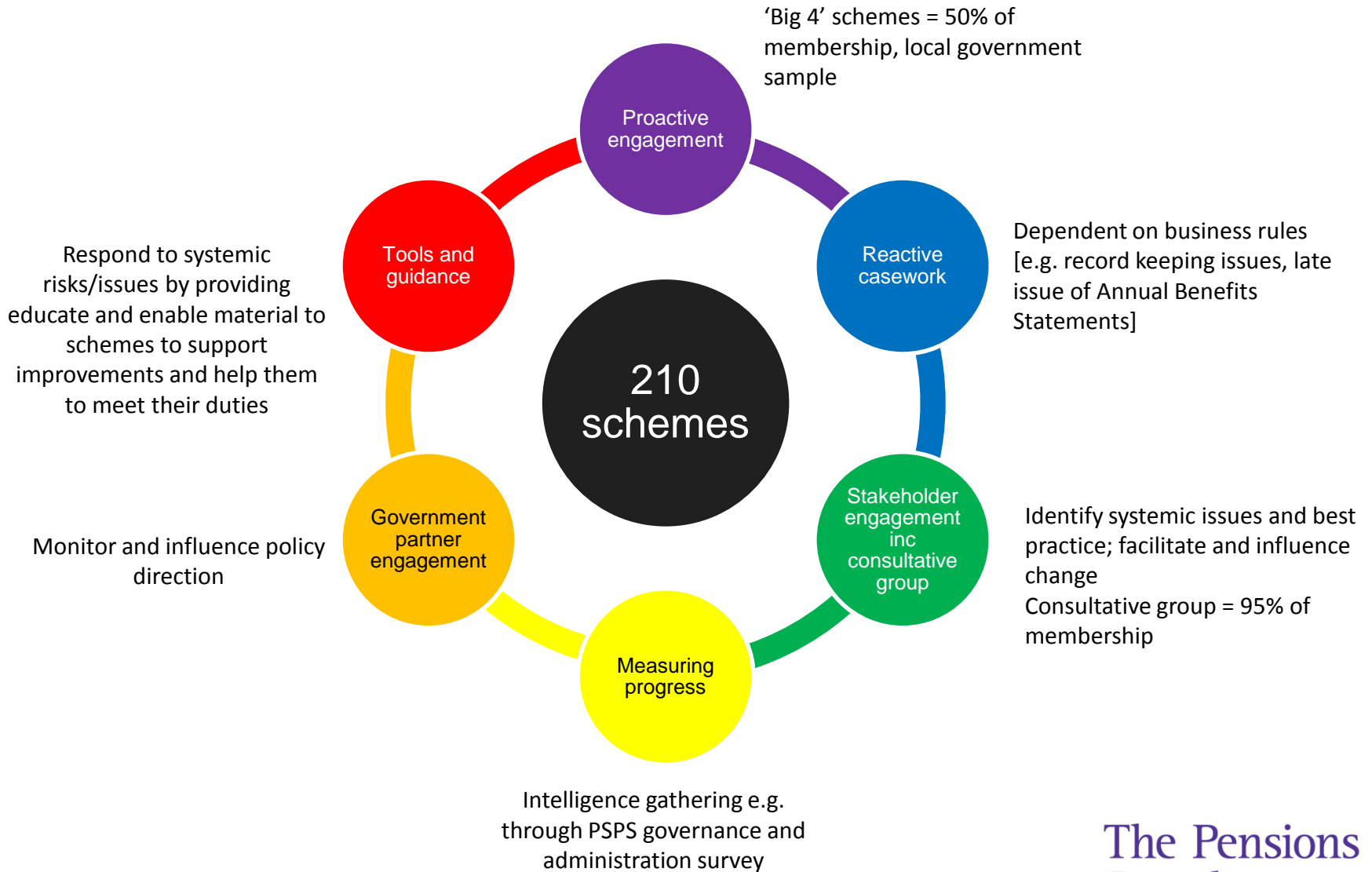
10 October 2016

The Pensions
Regulator

Who we are

- Established by Pensions Act 2004 to regulate work-based pensions
- Statutory objectives set out in legislation
- We regulate the governance and administration of public service schemes
- Seek to improve standards and drive compliance with Public Service Pensions Act 2013

Our approach



The Pensions
Regulator

Breakout questions

- What are the top 3 governance and administration risks for your scheme (if you don't know, how will you find out)?
- What are the main barriers / challenges you face in improving standards of governance and administration in your scheme?
- What can be done to address those barriers / challenges, in particular thinking about the role of:
 - Scheme Manager
 - Pension Board
 - Scheme Advisory Board
 - Pensions Regulator

Improve Communications - between & to SAB

Get right people to right meeting

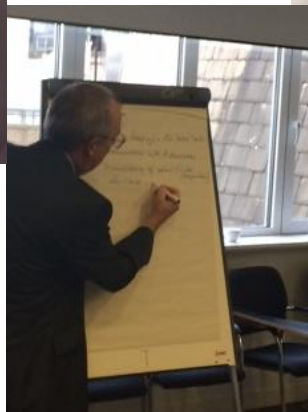
- ↳ COMMS
- ↳ encouragement

Partnership working with TPR

Maximise information from press/PR - Screening

Officer support - Working with share managers
Develop communication strategies - How

Source Share Leads
Relationships



TOP 3 RISKS

1. Records (keeping) - Put some costs
2. Communications (with Adaptability)
3. Inconsistency of admin (rules Interpretation)
4. Resilience - locally - national
5. Costs - sustainability

1. Lack of resource
2. Lack of direction (central Top-D. Home office + SAB)

Roles

SM = Administrator?

Need clear roles

Benchmarking



WHAT CAN BE DONE TO ADDRESS BARRIERS

SUBSTITUTES - continuity

PROCEDURES / PROCESSES *

REPORTING MECHANISMS *

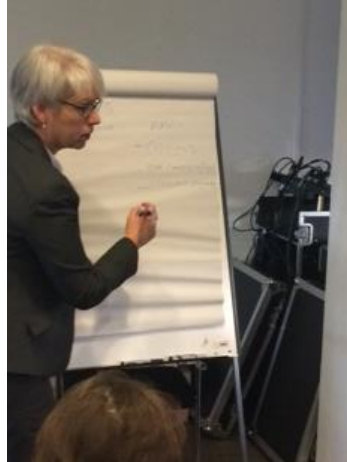
OPPORTUNITY (CLEAN SLATE) *

FRAMEWORK so PR's look in same parameters

PRECEDENT LOG OUTCOMES OF IORP; what

ANNUAL REPORT OF PR

SAB - provision to get legislative change



- HOW MADE AWARE OF CHANGES

- CAN SAB GET COMMON DATA x WHAT ARE THE RIGHT METS

① COMMUNALITY OF APPROACH

- CONTINUITY OF MANDATE / TRAINING

- PR GOOD PRACTICES & REFINES

- TAKING RESPONSIBILITY (ASTM) - ORIG MANAGE

2. MAIN BARRIERS

① COMMS BETWEEN PR & AUTHORITY

- INCREASING COMPLEXITY

- 45 DIFFERENT APPROACHES - RIGHT FOR THE COMPLEXITY OF THE ISSUE

- ADMINISTRATION / SCIENCE MANAGED NAT THE CASE

- LGA BUDGETS etc

With thanks to

- **Speakers**

- Malcolm Eastwood, Chair of the Scheme Advisory Board (England)
- Marc Sherratt, Home Office
- Ian Pollitt, KPMG
- Helen Gibson, The Pension Regulator

- **Group Facilitators**

- Ian Pollitt, KPMG
 - Daniel Kanaris, AON
 - Annemarie Allen, Barnett Waddingham
-



Networking Session
