

Local Pension Board Training Firefighter Pension Schemes 19 June 2018

Agenda

- Introduction and group session
- A background to the Fire Pension Schemes
- Firefighters Pension Fund
- Scheme Membership
- TPR Expectations
- Scheme Advisory Board Update
- Expectations of pension boards and 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?
-

Background to the Firefighter Pension Schemes

Firefighter Pension Schemes

12 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 cover
- 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 45 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



Types of member

1992 Scheme	2006 Scheme (Standard Members)	2006 Scheme (Special Members)	2015 Scheme	Compensation Scheme
Protected standard members	Protected standard members	Protected special members	2015 only	Benefits based on service
	Protected retained members		1992 transitional	Protections for retained firefighters with a qualifying injury before 1 st April 2014
			2006 standard transitional	
			2006 standard retained transitional	
			2006 special transitional members	

Special Members of the NFPS 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 (currently 65)



Scheme Comparison

Feature	1992 Scheme	2006 Scheme Standard Members	2006 Scheme Special Members	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

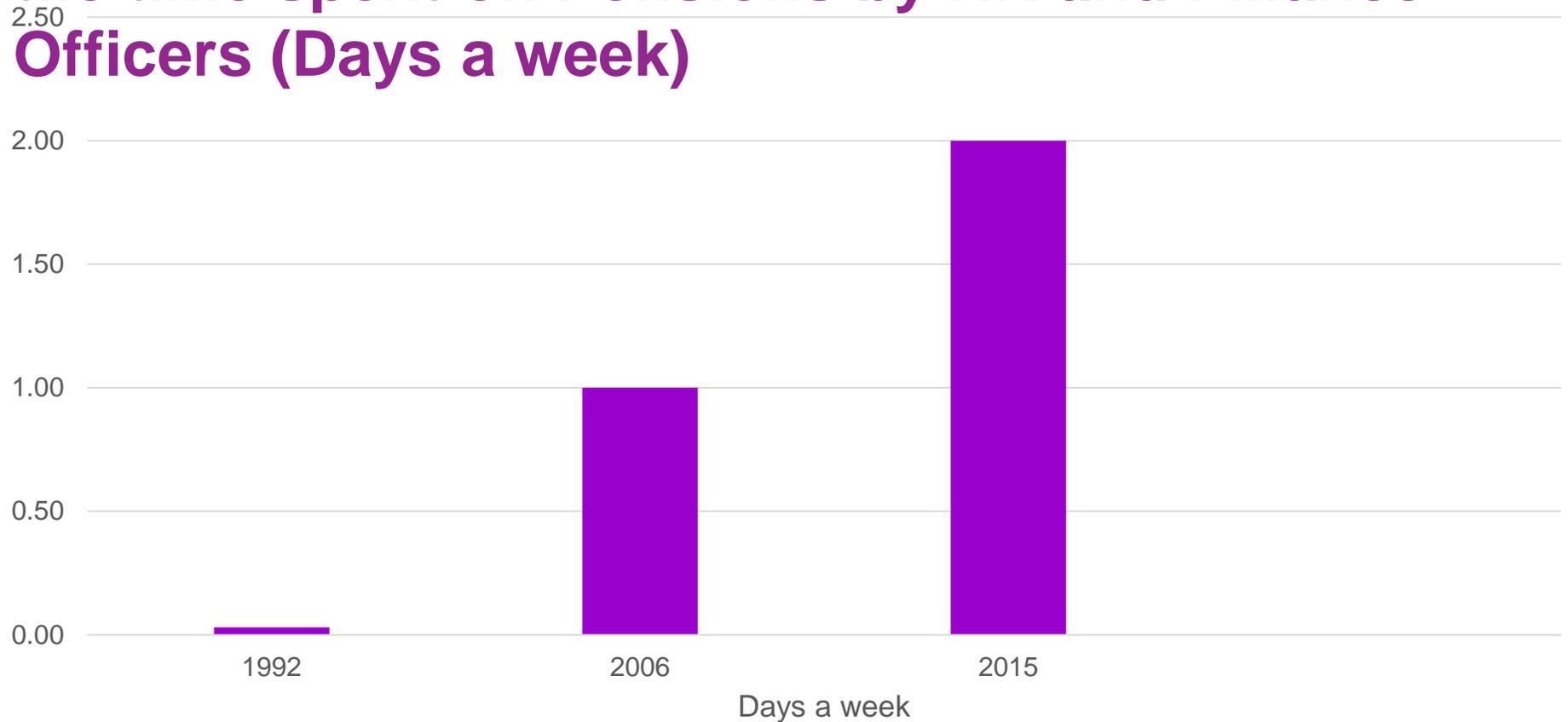
Governance

- 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 (Days a week)



Illustrative only

Other guidance

- [Ill-Health and Injury Quick Guide](#)
 - [Survivor Benefits](#)
 - [Transfers](#)
 - [Special Members of the 2006 Scheme](#)
 - [Transitional Member Guidance](#)
-

Scheme Regulations

- FPS 1992 Regulations
<http://www.fpsregs.org/index.php/regulations/fps-1992-regulations>
- FPS 2006 Regulations
<http://www.fpsregs.org/index.php/regulations/fps-2006-regulations>
- FPS 2015 Regulations
<http://www.fpsregs.org/index.php/regulations/fps-2015-regulations>
- Firefighters' Compensation Scheme
<http://www.fpsregs.org/index.php/regulations/firefighters-compensation-scheme>



Funding of Firefighter Pensions

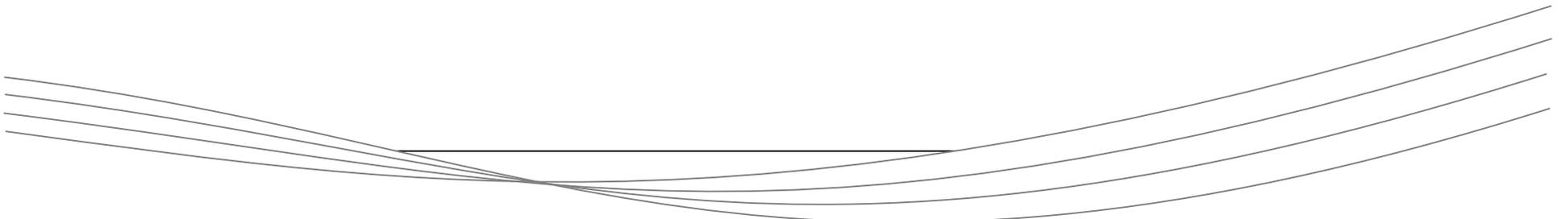
Funding of Pensions

- Funded & Unfunded Pension Schemes
 - Notional Pension Fund
 - Top-Up Grant
 - Cost Cap and Future Funding
-

Funding of Schemes

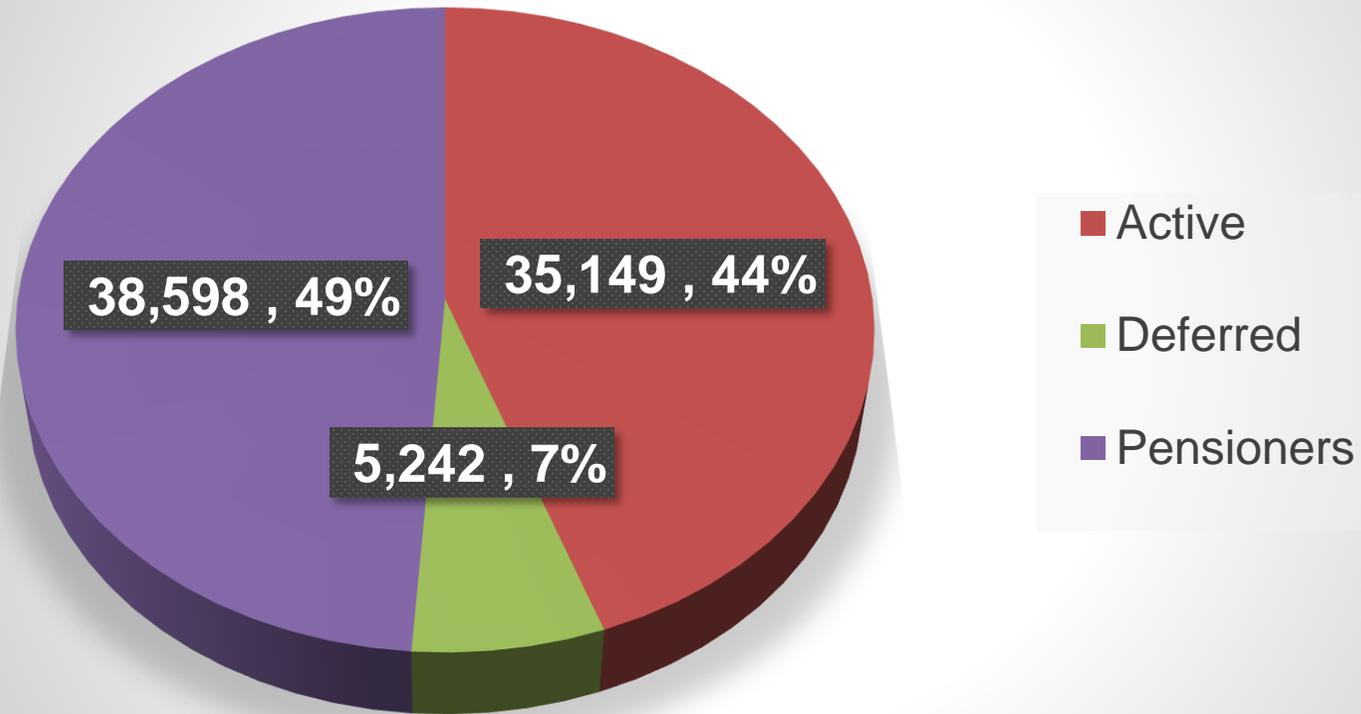
2 types of public service pension schemes:

- Funded
- Unfunded



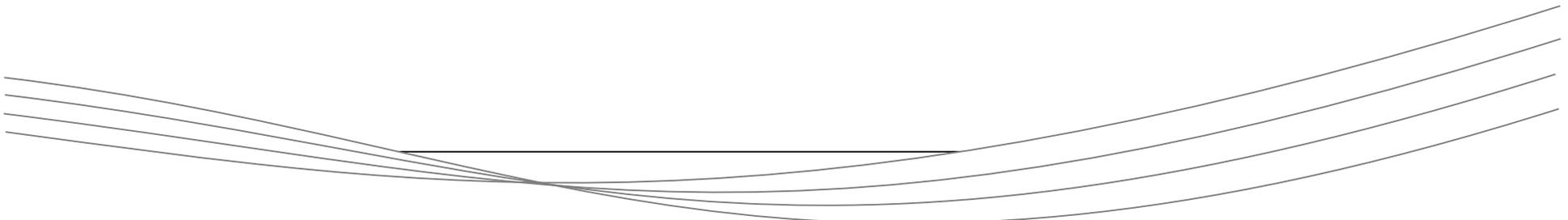
Scheme Membership

National Firefighter Scheme Membership



Notional Pension Fund

- Pension fund accounting introduced April 2006
- Pension transactions separated from revenue budgets
- Injury pensions to be funded from operating account



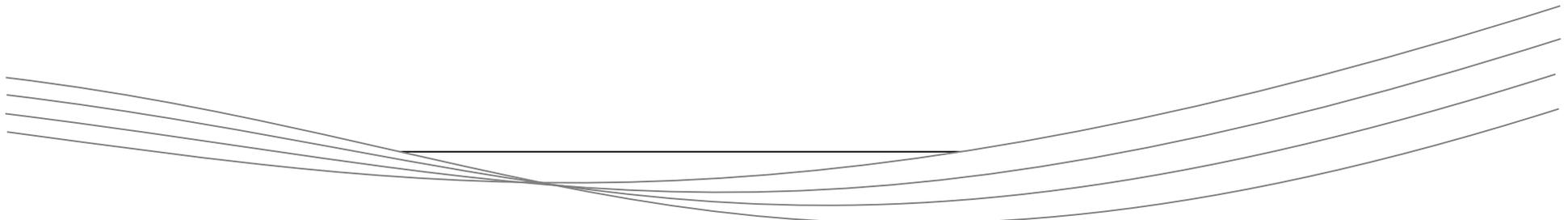
Notional Pension Fund

PENSION FUNDS 31st MARCH 2016	
	£k
<u>Pension Fund Income</u>	
Employee Contributions	-2,621
Employer Contributions	-3,495
Ill Health Retirement Contributions	-27
Repaid contributions	-44
Transfers In	-32
	-6,219
<u>Pension Fund Expenditure</u>	
Pensions	19,136
Lump sum retirement benefits	7,420
Transfers Out	343
	26,899
Deficit	20,680

Continuing deficit

PENSION FUND DEFICITS LAST 3 YEARS

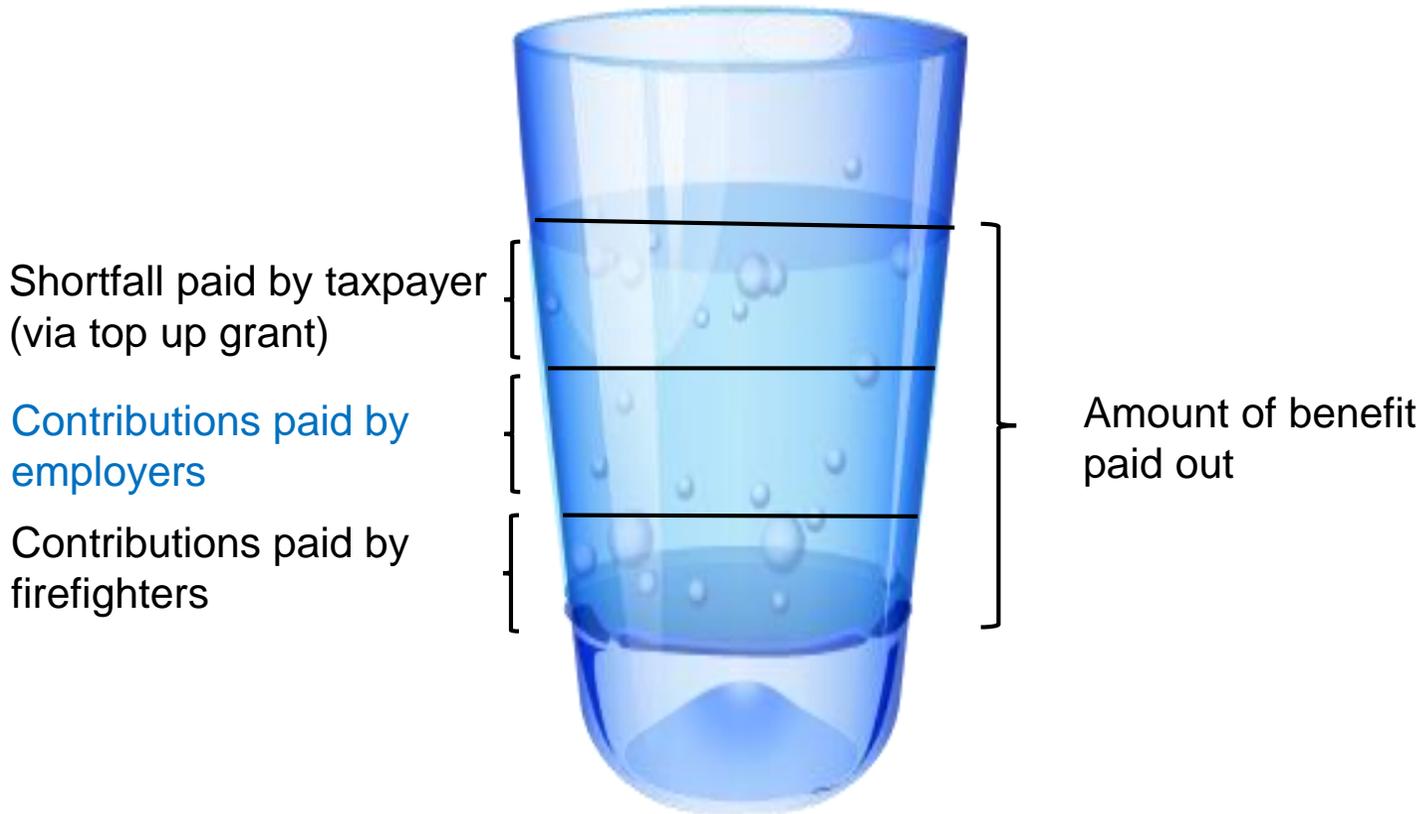
	£k
31st March 2016	20,680
31st March 2015	16,027
31st March 2014	15,374





Fire Scheme Valuation

How are fire pensions financed?



Cost Cap

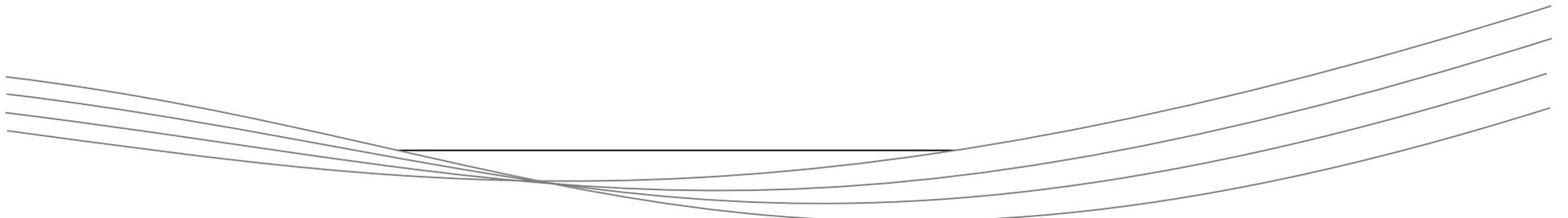
- Proposed Employer Cost Cap 16.8% of pensionable pay

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/415189/ANNEX B - 150306 - Fire England Valuation - Report by the Scheme Actuary - Final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/415189/ANNEX_B_-_150306_-_Fire_England_Valuation_-_Report_by_the_Scheme_Actuary_-_Final.pdf)

The Hutton Review

Public Service Pensions should be:

- Affordable and Sustainable
 - Work longer
 - Career average
 - Tiered employee contributions
 - Cost cap





Scheme Membership

How are benefits worked out



Final Salary (1992, 2006, Modified)

- Final Pensionable pay (best of last 3 years) x membership / 60ths or 45ths = annual pension
- Can give up part of pension (max 25%) to provide a one off lump sum
- Revalued by CPI in retirement

Career Average (2015)

- Pensionable pay for each year / 59.7 = Accrued pension for that year.
 - Each year is increased by average weekly earnings
 - Can give up part of pension (max 25%) to provide a one off lump sum
-



FPS 1992 Membership

- For each year of membership, the Firefighter can count $1/60^{\text{th}}$ of their final pensionable pay as membership.
 - This includes any previous pension they have transferred in.
 - After 20 years, each year counts as $2/60^{\text{th}}$.
 - Maximum is 30 years, or $40/60^{\text{th}}$
-



FPS 2006 Membership

- For each year of membership, the Firefighter can count $1/60^{\text{th}}$ of their final pensionable pay as membership.
 - This includes any previous pension they have transferred in.
 - Maximum is 45 years, or 45/60ths.
 - If part-time, membership is calculated pro-rata e.g. if they work half time for 2 years it provides $1/60^{\text{th}}$ of membership.
-



Retained Firefighter Membership

- Membership builds up based on the earnings compared with a Regular Firefighter (reference pay).

e.g. if a retained firefighter earns £8,125 in one year and their reference pay is £28,000, membership is calculated as:-

$$£8,125 / £28,000 * 365 \text{ days} = 106 \text{ days membership}$$

2015 Scheme Pension Build Up

- Gary has a pensionable pay of £28,000 this year
- He will 'accrue' $1/59.7^{\text{th}}$ of that pay towards his pension

i.e. $£28,000 / 59.7 = £ 469.01$



Double Accrual Guarantee

- Recognises the expectation to double accrual for members in the 'old' 1992 Fire scheme.
 - Pro Rata's the expected benefit
-

Part 2A Schedule 2 – Ordinary retirement

$$(A \div 60) \times (B \div C) \times APP$$

- A = maximum 60th member could have accrued had there been no change.
 - B = 1992 service – 1992 service up to 31 March 2015, or taper date.
 - C = Calendar Years service in 1992 & 2015
 - APP = Average Pensionable Pay
-

The member

- A firefighter who joins the scheme at 1 April 1999 has 16 years service as at 31 March 2015
 - The firefighter then builds up a further 9 years of service in the 2015 scheme to age 55.
 - Total service = 25 years
 - So they would have had an expectation to pension calculated on 30/60ths
-

An example...

- $(A \div 60) \times (B \div C) \times FS$

- $A = 30$

- $B = 16$ years in 1992 scheme

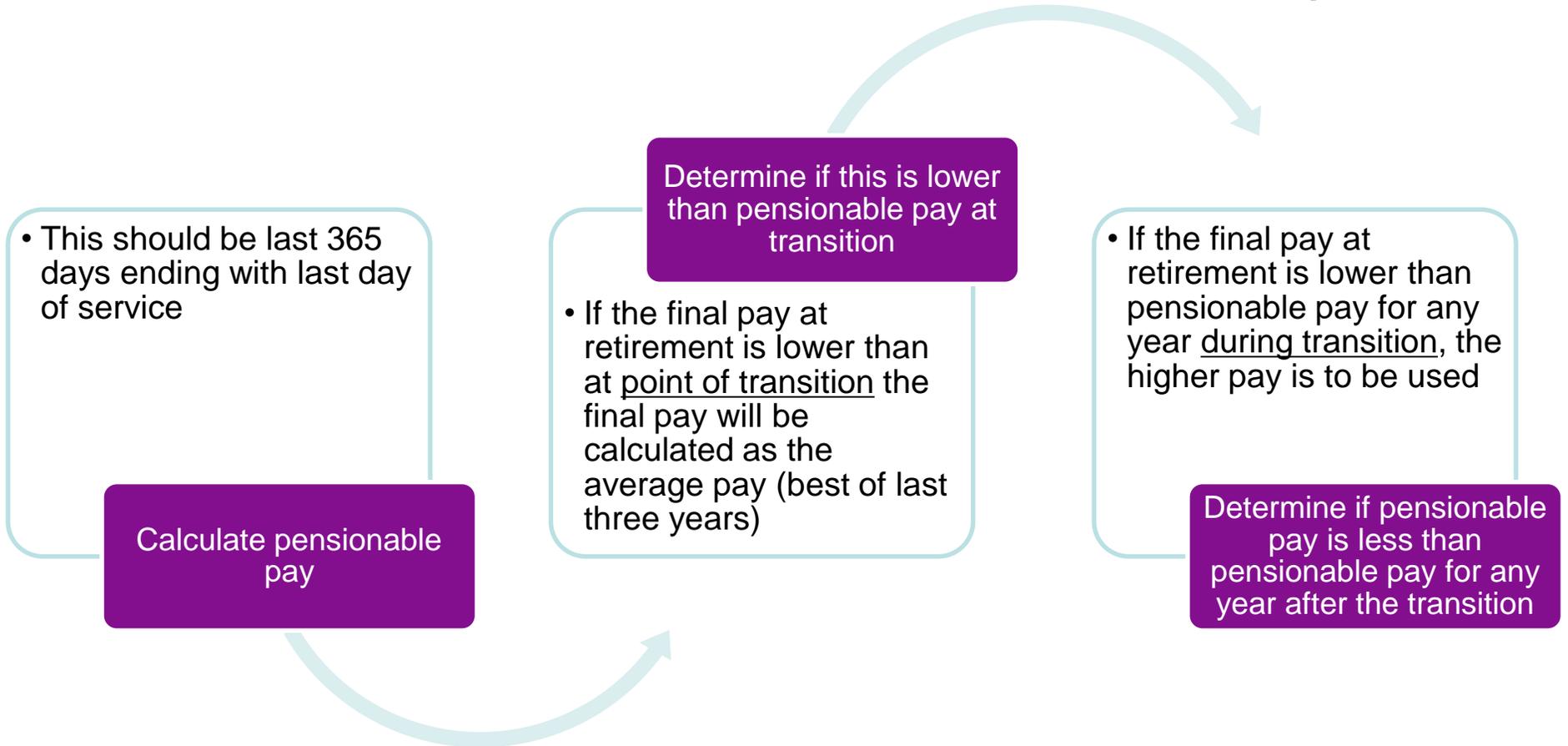
- $C = 25$

- $APP = \text{£}20000$



$$(30 \div 60) \times (16 \div 25) \times \text{£}20,000 = \text{£}6,400$$

Transition Members – Final Pay



Continuous Professional Development



FPS 1992 & FPS 2006

- CPD is pensionable and is treated as an Additional Pension Benefit (APB)

FPS 2015

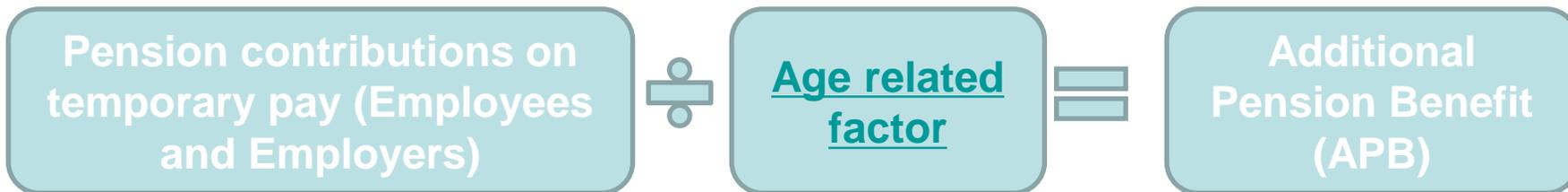
- CPD is pensionable and is treated as part of pensionable pay at the discretion of the FRA. No additional pension benefits exist in the 2015 scheme
-

Pensionable Pay – Temporary Pay



FPS 1992 & 2006

- Temporary pay which began after 1 July 2013 is not included in the final pensionable pay calculation.
- It is still pensionable (on discretion) but temporary pay provides an Additional Pension Benefits (APB)
- They are calculated as follows:-



Re-employment after retirement

Pension will be subject to abatement where an employee retires and begins drawing their pension and is either:

- re-employed by any Fire Authority in any capacity or
- continues in the employment of a Fire Authority
- Abatement to pension applies if the new salary, plus the pension they are in receipt of, is more than their salary they received while previously employed, then that excess amount is taken away from their pension whilst the member is re-employed.

[Abatement Factsheet](#)

Re-employment – Loss of PPA

- Firefighters in the FPS 1992 are allowed to retire before age 55 because legislation gives them a protected pension age (PPA).
- One of the reasons they can lose their PPA is if they retire and do not have the necessary break before they re-commence or **continue** employment with their FRA.
- The necessary break is one month.
- If they lost their PPA, the payment of the lump sum, plus every pension instalment, until they reach age 55 can be taxed up to 70%.
- If someone is retiring under age 55, all employments must cease, otherwise the individual may lose their PPA (Includes retained service).

[PPA Factsheet](#)



Nobody told us!

- Drop in pay triggering two pension entitlement
- APBs (Temporary Promotion)
- Transition to 2015 scheme (Ill-Health)
- Re-employed with another Fire Authority





- In LGPS the scheme manager can fine the employer for not providing timely / accurate data, in Fire the scheme manager is the employer!!
-

Public Service Pensions

Firefighters Pension Schemes



**Local Pension Board training
Smith Square**

Neil Wilson
Industry liaison manager

19 June 2018

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

**The Pensions
Regulator**

Agenda

- Our role, responsibilities and powers
- Your role and responsibilities
- Our expectations
- Governance and internal controls
- The importance of good data
- Communication
- Reporting a breach
- Lessons from casework
- Scheme returns
- Data related initiatives - GDPR, pensions dashboard
- The need for cyber resilience

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

The Pensions
Regulator

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) - LGPS only
 - 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



The Pensions
Regulator

TPR focus 2018

- Ongoing risk assessment and intelligence gathering
 - 2017 survey 92% response rate covering 98% of combined membership
 - www.tpr.gov.uk/docs/public-service-research-2018.pdf
- Key focus areas:
 - record-keeping and data quality

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

The Pensions
Regulator

Local pension boards

Pension boards are responsible for assisting the scheme manager in securing compliance with:

- scheme regulations
- other governance and administration legislation
- any requirements of The Pensions Regulator
- additional matters, if specified by scheme regulations
- pension boards need to have an equal number of employer representatives and member representatives (they may also have other types of members, such as independent experts).

Legal requirements for board members

- To be familiar with:
 - the rules of the scheme
 - any policy document about the administration of the scheme
- To have knowledge and understanding* of:
 - the law relating to pensions and
 - any other matters which are set in regulations
- To report a breach of the law that is likely to be of material significance to TPR

*The degree of knowledge and understanding should allow the individual to carry out the functions of a member of the pension board

Examples of policies to be ‘conversant’ with

- Board members to be familiar with: documented policies* on:
 - conflicts of interests and register of interests
 - record keeping
 - internal dispute resolution
 - reporting breaches
 - maintaining contributions
 - appointment of board members
 - risk assessments and management and risk register
 - the exercise of discretionary functions
 - any admissions body
- And knowledge of:
 - the responsibilities of the scheme manager and the pension board
 - scheme booklets, key staff communications and announcements
 - terms of reference, structure and operational policies of the pension board and/or any sub-committee

**These examples are not intended to be exhaustive and board members should familiarise themselves with their own scheme’s documented policies and ensure they review them regularly.*

The Pensions
Regulator

Examples of administrative policies

- Board members to be familiar with documented policies* on:
 - contribution rates
 - statements of assurance
 - third party agreements and service level agreements
 - scheme annual reports and accounts
 - accounting requirements relevant to the scheme
 - audit reports, including from outsourced service providers, and
 - other scheme specific governance documents.
- For pension board members of funded pension schemes,
 - documents relating to funding and investment matters (eg statement of investment principles and the funding strategy statement)

**These examples are not intended to be exhaustive and board members should familiarise themselves with their own scheme's documented policies and ensure they review them regularly.*

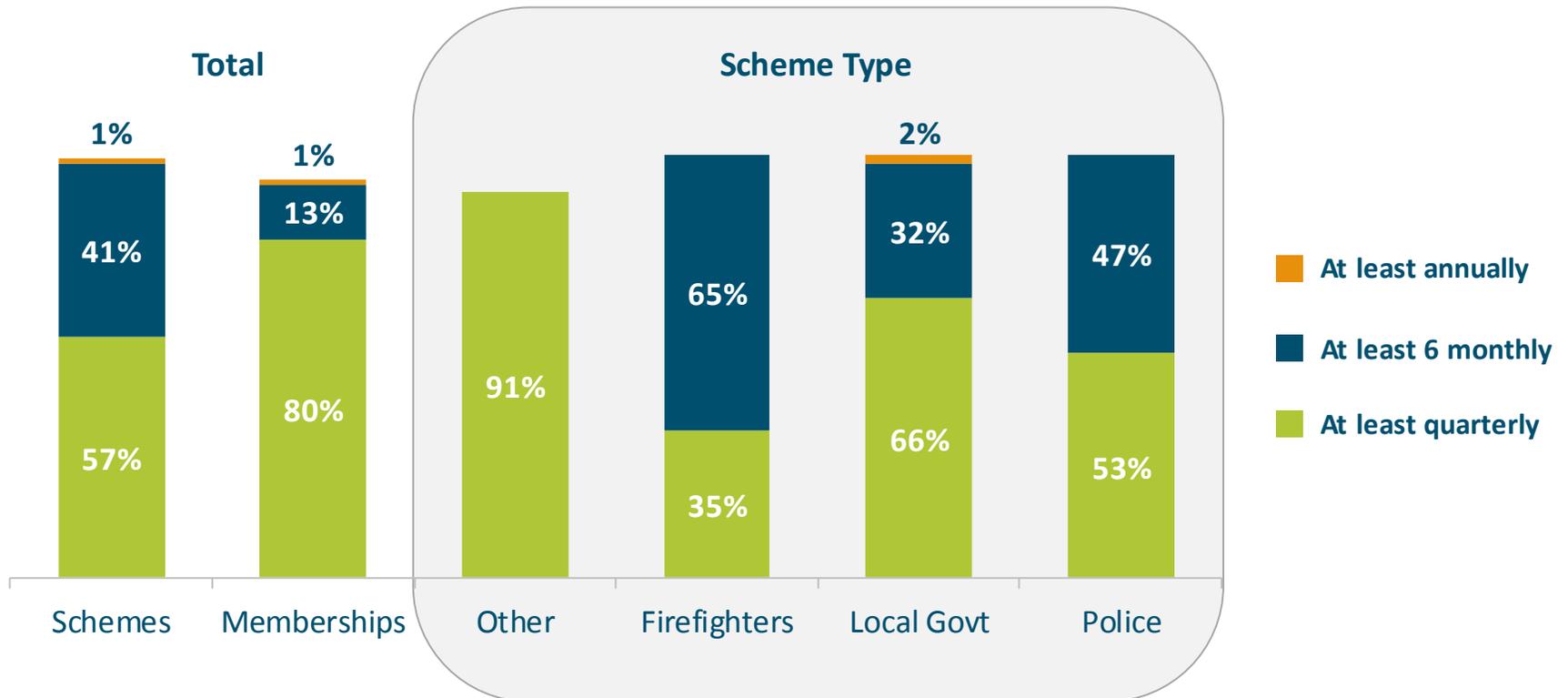
The Pensions
Regulator

Governance

- Scheme managers accountable party for most requirements
 - Some confusion remains on roles and responsibilities especially on pension boards
 - Variety of practice in how scheme managers work with pension boards:
 - scheme managers should use this valuable resource
 - pension boards should take an active role in identifying key risks and driving forward improvements
 - 21st Century governance key focus for TPR this year
 - how can government, regulatory bodies and the pensions industry raise the standards of trustee competence and improve the governance and administration of pension schemes
- www.tpr.gov.uk/21c-trustee

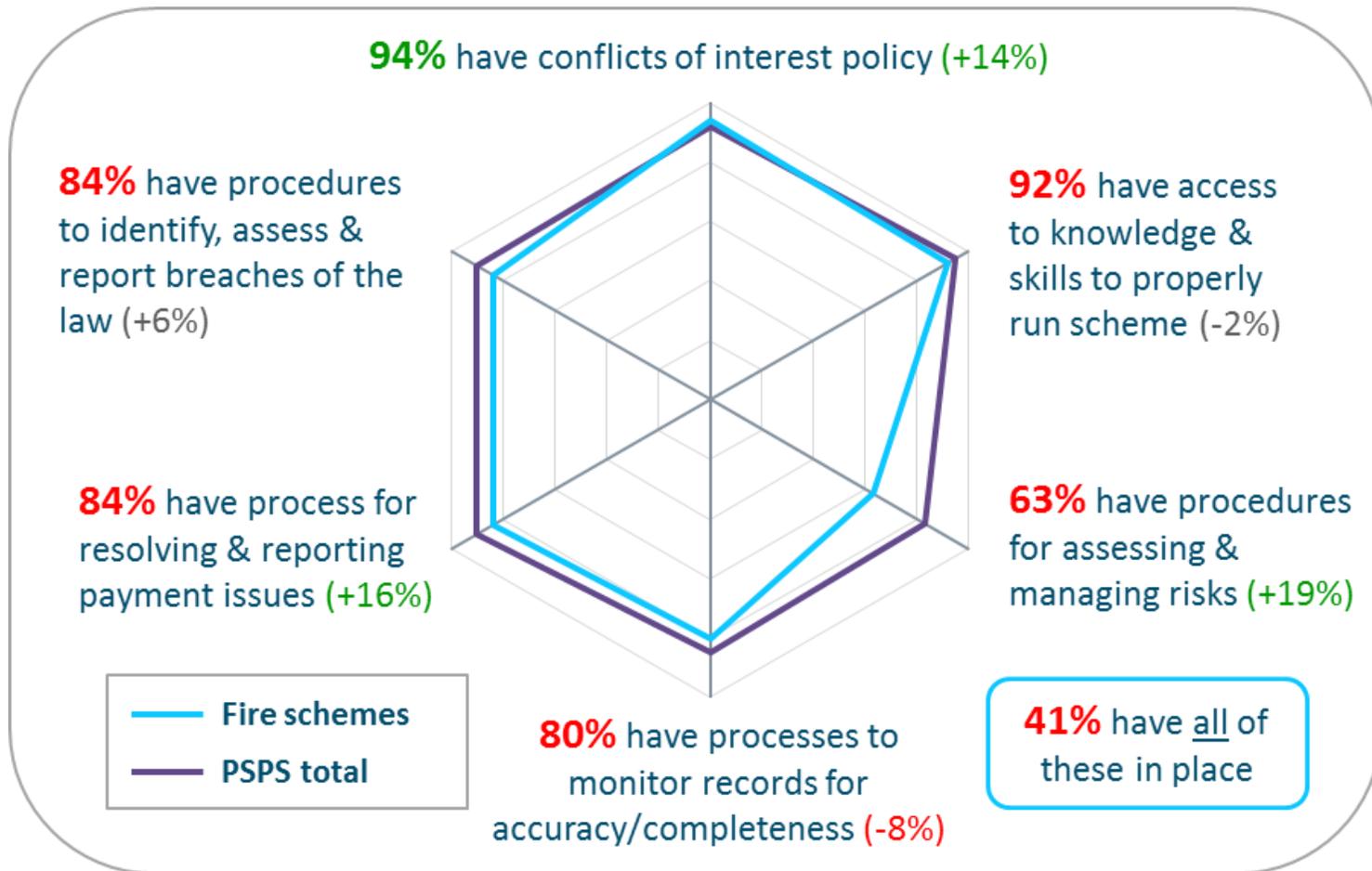
Scheme governance - 2017 survey findings

Frequency of pension board meetings



More than half of boards meet at least quarterly. There has been an increase since 2016 in scheme managers (or their representative) attending meetings.

Key processes



Only 41% of fire and rescue schemes have all six key processes in place

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

The Pensions
Regulator

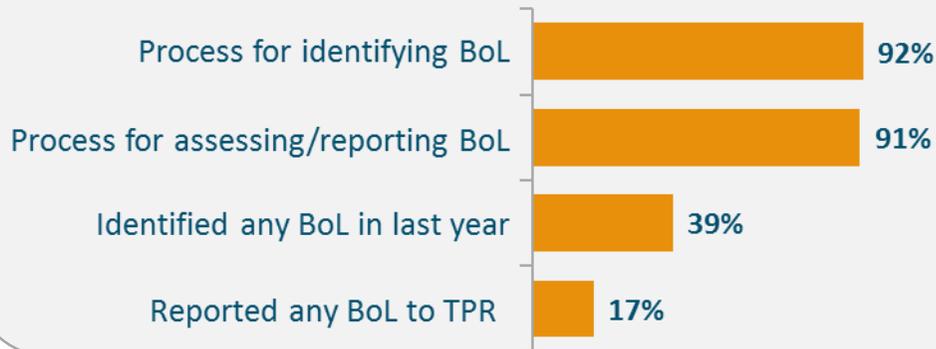
Internal controls - all schemes

Risk management



Top 3 risks	
Securing compliance with legislation	45%
Record keeping	39%
Funding or investment	35%
Top 3 causes of breaches of the law	
Failure of employers to provide timely, accurate or complete data	57%
Systems or process failure	41%
Failure to maintain records or rectify errors	18%

Breaches of the law



The top cause of breaches of law is failure of employers to provide timely, accurate or complete data

Internal controls - fire

Internal controls

69% of schemes have a risk register

35% review exposure to new & existing risks at least quarterly

29% identified breaches of the law in last 12 months (vs. 39% overall)

10% reported any breaches to TPR in last 12 months (vs. 17% overall)

red figures indicate result is lower than PS total
(any difference, not just statistically significant ones)

The top cause of breaches of law is failure of employers to provide timely, accurate or complete 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

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

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

Record keeping - overview

- We considers 90% of employers providing good quality data to be an important threshold
- 62% of all schemes reported that that at least 90% of their employers provided **timely data**
- And 55% of all schemes reported that at least 90% of their employers provided **accurate and complete data**

What proportion of your scheme’s employers provide you with timely, accurate and complete data?

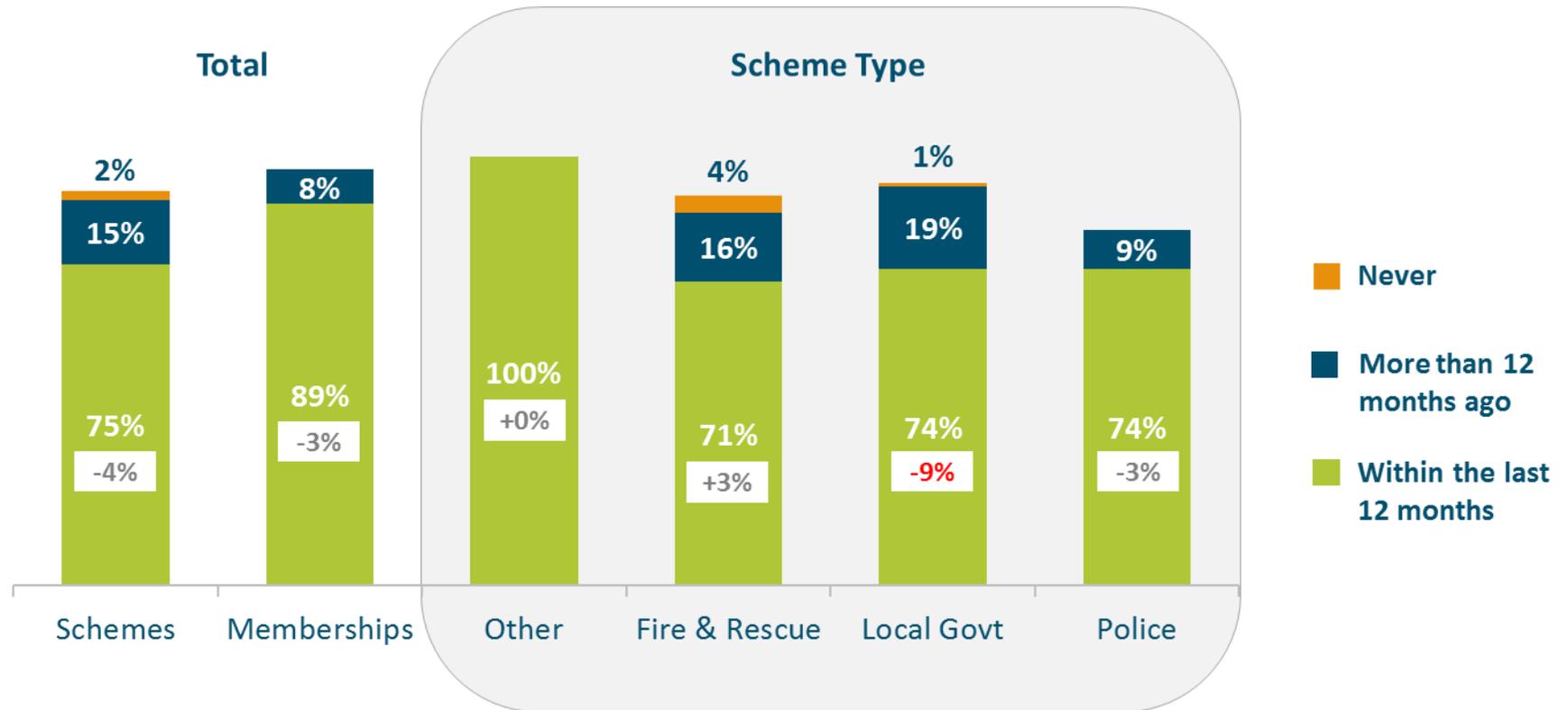
Proportion where at least <u>90%</u> of employers provide:	Schemes	Memberships	Other	Fire & Rescue	Local Govt	Police
Timely data	62%	54%	55%	71%	51%	79%
Accurate/complete data	55%	39%	36%	65%	41%	79%

All respondents (**Base, Don’t know, Did not answer question**) - Schemes (191, 9-12%, 2%), Memberships (191, 2- 14%, 0%), Other (11, 0-18%, 0%), **Fire (49, 20-22%, 2%)**, LG (88, 6-7%, 0%), Police (43, 7-9%, 7%)

In FPS, the proportion of schemes that did **NOT** report that that at least 90% of their employers provided timely data was **45%*** - and **50%*** did **NOT** report 90%+ accurate and complete data (* includes 23% of FPS schemes that didn’t know or respond).

Data review

When did your scheme last carry out a data review exercise?



Three-quarters of schemes had carried out a data review in the last year and only 2% have never done this – similar picture to 2016

Coverage of data review

Did the data review look at any of the following?
(All that had carried out a data review)

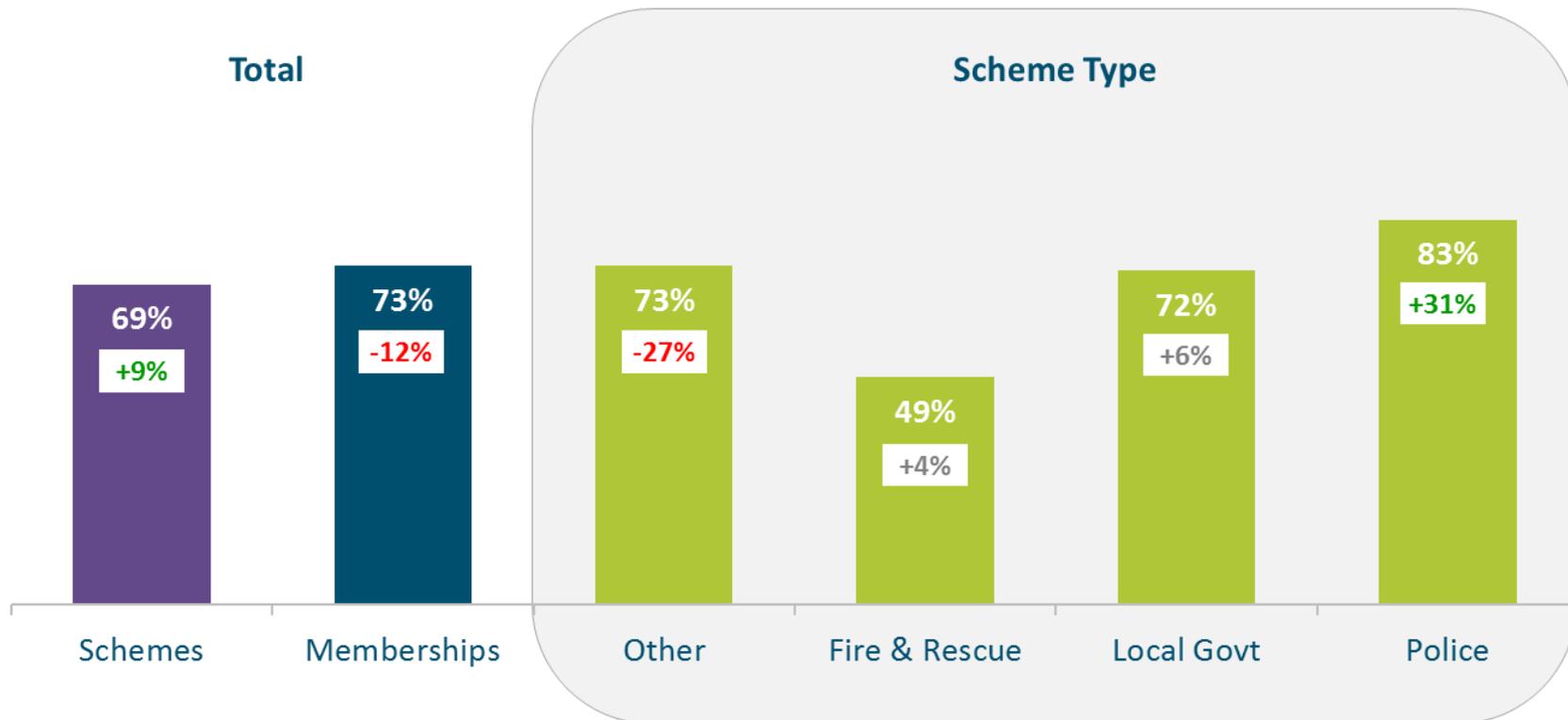
	Total		Scheme Type			
	Schemes	Member -ships	Other	Fire & Rescue	Local Govt	Police
Members' basic details (e.g. name, DOB & NI number)	89%	95%	100%	86%	88%	92%
Salary or earnings data	80%	86%	91%	84%	77%	81%
Address data	74%	79%	82%	67%	76%	78%
Member benefit data	72%	78%	82%	65%	71%	81%
Key dates held on member records	68%	85%	100%	72%	60%	72%
Contracted out data	62%	68%	73%	51%	61%	72%
Existence checks	61%	76%	82%	60%	67%	42%
Other	9%	4%	0%	12%	10%	8%

Other responses include: GMP reconciliation (2%), "transfers in" data (1%) & nominations data (1%)

Schemes are most likely to review members' basic details but a broad range of other data types are typically included.

Identification of issues from data review

Proportion of schemes where “most recent data review exercise identified any issues or problems”
(All that had carried out a data review)



An increase since 2016 in the number of schemes identifying issues, driven by significant improvement among police schemes. Fire schemes still least likely to identify issues.

Actions to address the issues identified

Has any action been taken to address the issues identified?
(All identifying issues during most recent data review)

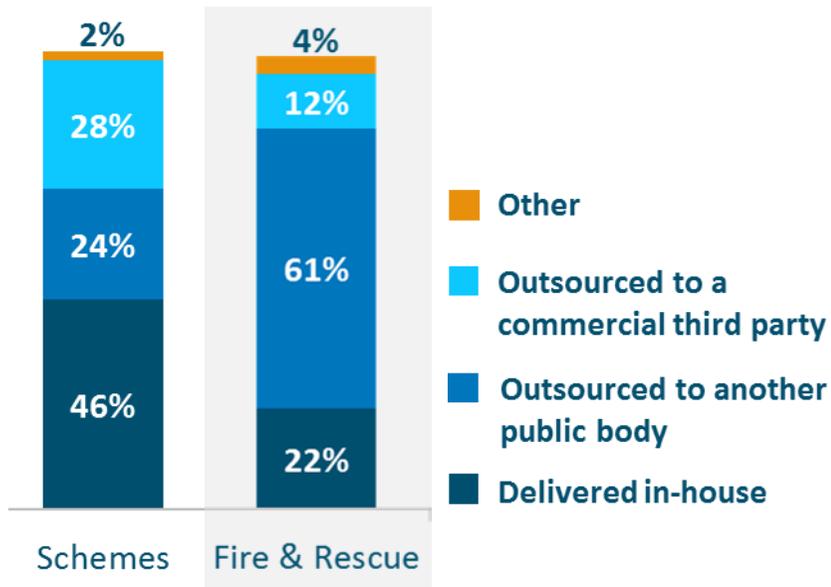
	Total		Scheme Type			
	Schemes	Memberships	Other	Fire & Rescue	Local Govt	Police
An improvement plan is in development	18%	39%	50%	14%	22%	3%
An improvement plan is in place but rectification work is not yet complete	30%	38%	38%	14%	41%	17%
An improvement plan has been put in place and rectification work has been completed	7%	9%	13%	29%	3%	0%
Rectification work has been undertaken without an improvement plan	23%	9%	0%	33%	22%	23%
No plan has been developed and no work has taken place	1%	0%	0%	0%	0%	3%
Other	21%	5%	0%	10%	12%	53%

Other responses include: Process of continuous improvement (12%), Improvement plan in development, but some work undertaken without plan (5%), Issues addressed as part of GMP reconciliation process (2%)

Nearly a third who had identified issues had completed rectification work and half had an improvement plan in place or were developing one

FPS - administration services

Which of the following best describes your administration services?



Administrator management	
Administrators attend regular meetings with SM or PB	80%
Administrators deliver regular reports to SM or PB	80%
Independent auditors review performance	55%
Administrators provide independent assurance reports	33%
Performance metrics are set out in contracts or SLAs	73%
Penalties are applied where term/standards not met	10%

The majority of administration is outsourced (78%). Penalties are rarely used.

Member communications

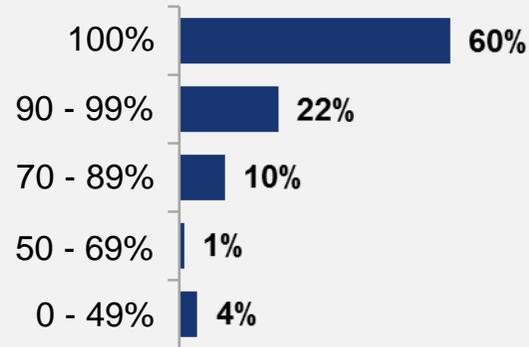
- New requirement to issue an annual benefits statement - for more guidance:
 - www.tpr.gov.uk/docs/public-service-annual-benefit-statements-guide.pdf
 - www.tpr.gov.uk/docs/public-service-annual-benefits-statement-checklist.pdf
 - www.tpr.gov.uk/docs/PS-guide-key-information-to-provide-to-members.pdf
- 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



The Pensions
Regulator

Member communications - survey

Proportion of active members receiving annual benefit statement by statutory deadline



Mean % receiving by deadline	
2017 survey	93%
2016 survey	75%

- Significant improvements over the last year
- 60% of schemes reported that all members received their ABS on time (up from 43% in 2016)
- The mean was 93% (up from 75% in 2016)

In FPS 93% of members received their ABS by the statutory deadline

Reporting breaches of 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

The Pensions
Regulator

Breaches of law - Teachers' Pension Scheme

- 2 breach of law reports were received in 2016 from an administrator
- 43 employers were failing to submit their End of Year Certificates (EOYCs) to the scheme manager by the legal deadline
- The administrator had made multiple contacts with each employer
- Our engagement:
 - we engaged with the non-compliant employers
 - the engagement identified a lack of knowledge and understanding by employers on EOYC submissions
 - all but one employer is 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

The Pensions
Regulator

Key issues

- Scheme managers have a legal obligation to maintain certain data
- Employers provide most of the data needed
- Both employers and scheme managers must ensure they are meeting their legal obligations to the scheme:
 - employers must ensure they understand their obligations to the scheme
 - scheme managers must have robust processes to ensure accurate data is provided on time
- TPR can, and has, intervened where these actions don't resolve the issues:
 - a range of powers at our disposal, including the issuing of an improvement notice and / or third party compliance notice and associated fines

Public service pension scheme fined £1000

- We issued a £1,000 fine against the London Borough of Barnet scheme manager for failing to submit its 2016 scheme return:
 - we issued a scheme return notice to the scheme manager on 9 July 2016, requesting the scheme return be submitted by 12 August
 - the return was not received and further communications from TPR not replied to
 - so the matter was referred to TPR's Determinations Panel on 24 February 2017
 - the penalty notice was issued to the scheme manager on 13 April and paid on 9 June
- As the scheme return was not submitted a case team continues to engage with local authority staff to discuss the scheme's future governance and administration.

Key lessons

- Outsourcing does **not** reduce or remove a scheme manager's responsibility or accountability.
- It is the legal responsibility of managers to submit a scheme return by the specified deadline:
 - failure to submit may signal further governance and administration problems within the scheme
 - good scheme governance is a key factor to achieving positive outcomes for members
- The £1,000 fine against the scheme manager took into account:
 - size of scheme (23,000 members)
 - governance and administration being a priority for TPR



Failure to provide the scheme return by the deadline can lead to fines of up to

£5,000

per individual and

£50,000

in other cases

The Pensions
Regulator

What are the challenges facing pension schemes?

- Enhanced requirements:
 - increased reporting requirements
 - GDPR
 - pensions dashboard (might become a legal requirement to provide member benefit data)
 - cyber security



The Pensions
Regulator

Scheme return requirements 2018

- 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

The Pensions
Regulator

GDPR

- General Data Protection Regulation applied 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'

The good news

“If you are already complying with the terms of the Data Protection Act, and have an effective data governance programme in place, then you are already well on the way to being ready for GDPR” - Steve Wood, Deputy Commissioner for Policy, ICO

- Controls put in place for GDPR help you meet your internal controls requirements under pension legislation

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 **65** Annually Monthly
£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 **£39,797.00** total >
Policy: AVC/201750805 **£281** monthly >
(ESTIMATED) from age 65

Dundee Toys
Company scheme **£2,534.00** total >
Policy: RLI/2399103 **£78** monthly >
(ESTIMATED) from age 65

Geopost (uk) Limited
Company scheme **£14,653.00** total >
Policy: AVC/201756143 **£78** monthly >
(ESTIMATED) 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

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 security should be on risk registers
- Not just an administrator problem – (eg what controls are around the data shared with the scheme actuary, legal advisors 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)

Mitigation against cyber threats

- Most cyber attacks exploit basic weaknesses in software and IT systems
- Our guidance to trustees and scheme managers on principles for building cyber resilience:

www.tpr.gov.uk/guidance/cyber-security-principles-for-pension-schemes.aspx

- Government estimates that 80% of breaches could be prevented by following these 10 steps from the National Cyber Security Centre (part of GCHQ):

www.ncsc.gov.uk/guidance/10-steps-executive-summary

- Cyber Essentials is a Government-backed, industry-supported scheme to help organisations protect themselves against the most common threats found on the internet. It shows you how to fix basic weaknesses and get a good level of cyber security in place.

www.cyberaware.gov.uk/cyberessentials

- Prepare for GDPR – controls put in place will also help mitigate the cyber risk

The Pensions
Regulator

What you can do to combat cyber attacks

Reducing The Impact

Most cyber attacks are composed of four stages: **Survey, Delivery, Breach and Affect**. The following **security controls**, applied at each stage of an attack, can reduce your organisation's exposure to a successful cyber attack.

Survey



User Education

Train all users to consider what they include in publicly available documents and web content. Users should also be aware of the risks from discussing work-related topics on social media, and the potential of being targeted by phishing attacks.

Who might be attacking you?

Cyber Criminals interested in making money through fraud or from the sale of valuable information.

Industrial competitors and foreign intelligence services interested in gaining an economic advantage for their companies or countries.

Hackers who find interfering with computer systems an enjoyable challenge.

Hacktivist who wish to attack companies for political or ideological motives.

Employees, or those who have legitimate access, either by accidental or deliberate misuse.

Delivery



Network Perimeter Defences

Can block insecure or unnecessary services, or only allow permitted websites to be accessed.



Malware Protection

Can block malicious emails and prevent malware being downloaded from websites.



Password Policy

Can prevent users from selecting easily guessed passwords and locks accounts after a low number of failed attempts.



Secure Configuration

Restrict system functionality to the minimum needed for business operation, systematically apply to every device that is used to conduct business.

£600K-£1.15m

Average cost of security breach



Breach



Patch Management

Apply patches at the earliest possibility to limit exposure to known software vulnerabilities.



Monitoring

Monitor and analyse all network activity to identify any malicious or unusual activity.



Malware Protection

Malware protection within the internet gateway can detect malicious code in an important item.



Secure Configuration

Remove unnecessary software and default user accounts. Ensure default passwords are changed, and that automatic features that could activate malware are turned off.



User Access

Well maintained user access controls can restrict the applications, privileges and data that users can access.



User Training

User training is extremely valuable in reducing the likelihood of successful social engineering attacks.



Device Controls

Devices within the internal gateway should be used to prevent unauthorised access to critical services or inherently insecure services that may still be required internally.

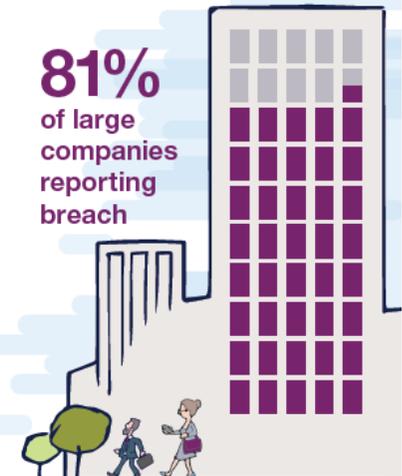


Controls For The Affect Stage

Once an attacker has achieved full access, it's much harder to detect their actions and eradicate their presence. This is where a more in-depth, holistic approach to cyber security can help.

10 Steps To Cyber Security outlines many of the features of a complete cyber risk management regime.

81%
of large companies reporting breach



10 Steps to Cyber Security

Defining and communicating your Board's Information Risk Regime is central to your organisation's overall cyber security strategy. The National Cyber Security Centre recommends you review this regime – together with the nine associated security areas described below, in order to protect your business against the majority of cyber attacks.



Network Security

Protect your networks from attack. Defend the network perimeter, filter out unauthorised access and malicious content. Monitor and test security controls.



User education and awareness

Produce user security policies covering acceptable and secure use of your systems. Include in staff training. Maintain awareness of cyber risks.



Malware prevention

Produce relevant policies and establish anti-malware defences across your organisation.



Removable media controls

Produce a policy to control all access to removable media. Limit media types and use. Scan all media for malware before importing onto the corporate system.



Secure configuration

Apply security patches and ensure the secure configuration of all systems is maintained. Create a system inventory and define a baseline build for all devices.



Managing user privileges



Establish effective management processes and limit the number of privileged accounts. Limit user privileges and monitor user activity. Control access to activity and audit logs.

Incident management



Establish an incident response and disaster recovery capability. Test your incident management plans. Provide specialist training. Report criminal incidents to law enforcement.

Monitoring



Establish a monitoring strategy and produce supporting policies. Continuously monitor all systems and networks. Analyse logs for unusual activity that could indicate an attack.

Home and mobile working



Develop a mobile working policy and train staff to adhere to it. Apply the secure baseline and build to all devices. Protect data both in transit and at rest.

Summary

- Our key focus areas are record-keeping and data quality
- Employers must provide accurate and timely data for record keeping
- Data quality to be continuously reviewed:
 - the reviews are sufficiently comprehensive
 - and robust data improvement plans are in place and progressed
- Good governance and administration - make sure there are appropriate controls:
 - service level agreements are set up, even with in-house administrators
 - processes around GDPR
 - report breaches of the law when appropriate
- Additional scheme return requirements from 2018
- Scheme managers are responsible for having controls for cyber resilience
- Outsourcing does **not** reduce or remove a scheme manager's responsibility or accountability

The Pensions
Regulator

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

The Pensions
Regulator

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

The Pensions
Regulator

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.

**The Pensions
Regulator**



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.**

➤ **SAB sub-committees**

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

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

- **Delivered in last two years**
 - **Tax awareness sessions**
 - **Independent actuarial review of 2016 assumptions**
 - **Consultation response on valuation items**
 - **Local Pension Board Training and tools**
 - **29 Local Pension Board Training Sessions**
 - **National websites**
 - **2 day annual meetings**
 - **Technical seminars**

- **Engagement - Just a snapshot**
 - **Meeting Police and Fire minister**
 - **Board training sessions and meetings**
 - **Technical groups and regional groups**
 - **Industry events**
 - **Engagement with third party administrators**
 - **Software supplier meetings**
 - **Dashboard meetings**

➤ **Communications**

- **SAB board website – www.fpsboard.org**
- **FPS Regulations website – www.fpsregs.org**
- **Further website development to come**
- **LGA Monthly bulletins**
- **LPB Board Survey**
- **ABS survey**
- **ABS template issued with plain English mark**
- **Communications working group**
- **Regular factsheets being produced**

Governance – Roles and Responsibilities

Why Governance?

Schemes and
Complexity

Knowledge
and Resource

Increased
financial risk

Increased
complexity

More schemes

Knowledge
gaps

Reduced level
of resource





The road to governance

Hutton
Report

PSPA 2013

TPR

Fire
regulations

Who's Who

Pension Board



Scheme Manager



Scheme Advisory Board

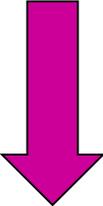


Scheme Advisory Board



Section 7 – Scheme Advisory Board

requires and defines a Scheme Advisory Board:-

- 
1. Providing advice to the responsible authority, at the authority's request on the desirability of changes to the scheme
 2. provide advice (on request or otherwise) to the scheme managers or the scheme's pension boards in relation to the effective and efficient administration and management of the pension scheme and connected schemes
 3. A person to whom advice is given under 1 & 2 above must have regard to the advice
- 

Rule 4E: SAB Establishment

Requires establishment of SAB to

- (2) The function of the Firefighters' Pension Scheme Advisory Board is to provide advice in response to a request from the Secretary of State on the desirability of making changes to this scheme and any connected scheme.
- (4) The Firefighters' Pension Scheme Advisory Board also has the function of providing advice to scheme managers and local pension boards in relation to the effective and efficient administration and management of this scheme and any connected scheme.

SAB Responsibilities

- Advise SoS on request of desirability to change of scheme rules
 - Under rule 150A consult on the event of a breach within 2% of the cost cap set of 16.8%
 - Support Pension Boards and Scheme Manager
 - Benchmark
 - Oversee standards
-

Scheme Manager



Scheme Manager

- The Scheme Manager is defined by rule 4 of the 2015 regulations 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
 - The scheme manager is responsible for managing and administering this scheme and any statutory pension scheme that is connected with it.
 - <http://www.legislation.gov.uk/ukxi/2014/2848/regulation/4/made>
-

Power of delegation – Rule 5

- *(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>
-

Scheme Manager Responsibilities

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

Pension Board



Section 5 – Pension Board

requires and defines a Pension Board:-

- (1) *Scheme regulations for a scheme under section 1 must provide for the establishment of a board with responsibility for assisting the scheme manager (or each scheme manager) in relation to the following matters.*

- (2) *Those matters are—*
 - (a) *securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;*
 - (b) *securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;*
 - (c) *such other matters as the scheme regulations may specify.*

- (4) *(c) requiring the board to include employer representatives and member representatives in equal numbers*

4A : Pension Board Establishment

Requires establishment of board to

- [1(a)] Secure compliance with :-
 - Scheme regulations and any other relevant legislation
 - Pension Regulator's codes of practice, etc
 - [1(b)] To ensure effective and efficient governance and administration
 - (4) *Scheme managers to determine procedures*
 - (5) *Voting rights conferred only on employer and scheme member reps*
 - (6) *Wide powers to discharge functions*
-

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
-

Examples of assisting

- Compliance of scheme managers with their duties under the regulations and relevant legislation
- Review effectiveness of processes for the appointment of advisors and suppliers
- Identify improvement of customer services
- Identifying patterns of complaints
- Reviewing the performance of administration
- ~~Reviewing the process for sharing data~~

Expectations of pension boards and tools to help

Expectations



Local Pension Board Effectiveness Committee

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

Local Pension Board Survey

- **Between December and January, FRAs were invited to participate in the SAB survey, we had a 73% response rate – Is that good?**
- **The survey was designed to measure the engagement and compliance of boards and to establish where targeted support could be offered to assist**
- **Read the full report [here](#)**

Scheme governance - Experience

➤ Key themes to boards working well

Joint working and collaboration, positive engagement between scheme manager and board

Good attendance and regular meetings

Implementation of key documents, risk and breach registers, action plans and training logs

Increased awareness of issues affecting the FPS

Performance and annual reporting

Improved scheme communications

Ability to monitor compliance

Scheme governance - Experience

➤ Key themes to areas for improvement

Implementation and publication of key documents, risk and breach registers

Turnover of board members and subsequently keeping skills up to date

Formation of joint ie regional boards

Training

Increase profile of board within organisation

Increase number of board members

Scheme manager communication / engagement and attendance at meetings

Expectations of boards

- **To table report at next board meeting and make any changes as appropriate**
- **To record any decisions with regards to the recommendations in the board minutes**

Local Pension Boards



Risk is a driver for improvement



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](#)

Reporting and recording breaches

Potential investigation outcomes				
	Cause	Effect	Reaction	Wider implications
Red	Pension board members have failed to take steps to acquire and retain the appropriate degree of knowledge and understanding about the scheme's administration policies	A pension board member does not have knowledge and understanding of the scheme's administration policy about conflicts of interest. The pension board member fails to disclose a potential conflict, which results in the member acting improperly	Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours The scheme manager does not take appropriate action to address the failing in relation to conflicts	It is highly likely that the scheme will be in breach of other legal requirements. The pension board do not have an appropriate level of knowledge and understanding and in turn are in breach of their legal requirement. Therefore, they are not fulfilling their role to assist the scheme manager and the scheme is not being properly governed
Amber	Pension board members have gaps in their knowledge and understanding about some areas of the scheme's administration policies and have not assisted the scheme manager in securing compliance with internal dispute resolution requirements	Some members who have raised issues have not had their complaints treated in accordance with the scheme's internal dispute resolution procedure (IDRP) and the law	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	It is possible that the scheme will be in breach of other legal requirements. It is possible that the pension board will not be properly fulfilling their role in assisting the scheme manager
Green	Pension board members have isolated gaps in their knowledge and understanding	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach	It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager

Breach Assessment



Secretariat: bluelight.pensions@local.gov.uk

Breach Assessment Template

Date of assessment

[Enter text about date of assessment and who assessment panel]

Introduction

[Brief introduction to the breach being assessed]

Identified

[Enter text about how the breach was identified, for example it n

- Tracked from agenda
- Tracked from LGA bulletins / technical note
- Informed by scheme manager / Pensions administrator
- Something else]

Assessment

[Using the [TPR guidance](#) comment on the four areas and score red, amber or green

	Cause	Effect	Reaction	Wider Implications
Red				
Amber				
Green				

Action

[Enter text about what the course of action is in response to the breach, including any timescales.]

History / Frequency

[Enter text about whether this is a breach that has occurred before and with what frequency.]

Decision

Report as material breach	
Recorded as breach	

Assessed by:

Date of assessment:

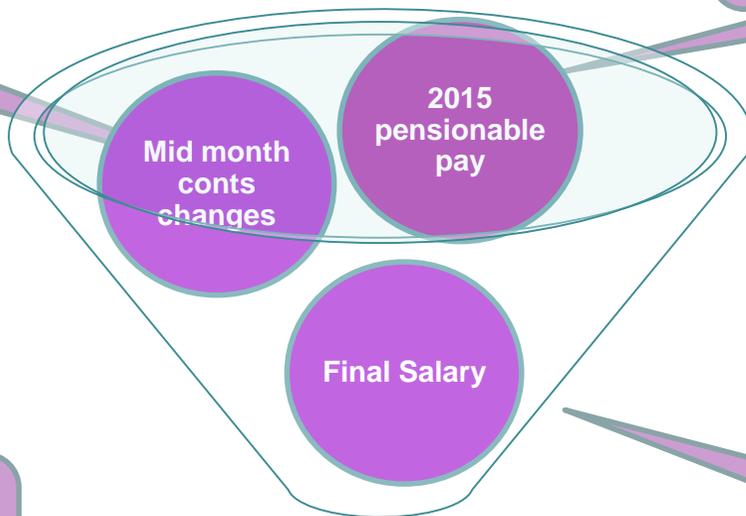
Board Review:

Tabled at Board Meeting:

Agreed by board:

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

Data

Mid Month Tapers

- Are pension boards comfortable they will comply with regulations and deduct contributions on time
- How will the changes be managed

Pensionable Pay

- Are pension boards comfortable that 2015 pensionable pay can be identified separately to final salary pay
- Are there any errors?
- Is the scheme manager clear on what pay constitutes pensionable pay

Supplying data to the administrator

- Mid month contribution changes
 - CARE and Final Salary Pensionable Pay
 - APP for retirement and death cases
 - Final Pay
 - On time for valuation and annual benefit statement purposes
 - Member event (like drop in pay)
 - Employer event (Ill-Health)
-

Scheme Manager Engagement

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

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 board on pension matters?
 - What escalation procedures are there?
-

TPR quick guides

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

Joint Boards

- Joint boards are allowable under the regulations where the administration and management are mainly or wholly shared
 - Committee are considering guidance on how management of the scheme should be shared
 - Early thoughts are this should be a high bar and shouldn't be a means to bypassing legislative requirements
-

4A Paragraphs 2 & 3

- (2) Where the administration and management of this scheme is wholly or mainly shared by two or more scheme managers, those scheme managers may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.
 - (3) Approval under paragraph (2) may be given subject to such conditions as the Secretary of State thinks fit and may be withdrawn if any conditions are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.
-

How are you doing?





Survey Assessment

- How often do you self-assess?
 - How did your response measure against the national responses?
 - What about peer review?
-

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



How are you doing?

	Governing your scheme	Managing risks and issues (internal controls)	Administration
Low			
Medium			
High			



Adding value

- Driving technology
 - Holding decision makers to account
 - IDRPs
 - Consultation / sight of decision making on key issues
 - VSP
 - Tax charges
 - ABS templates
 - Pensionable pay
-

Health Check

Actions for boards

- Risk Register
 - Breaches Policy
 - Scheme Manager Engagement
 - Internal Controls – questions for boards
 - Data –does your board have answers to key questions?
 - Review key processes and documents – nomination and selection policy
 - Training, what works for you?
-

What's on your agendas?

Recommended Agenda items

- Latest LGA bulletin
 - Survey responses
 - Consideration of Breaches
 - Scheme Manager Report
 - Updates on
 - Reconciliation
 - GDPR Processes
 - ABS cycle
 - Recommended actions in bulletin
-

Reporting

What makes a good report

- **Membership and meetings of board**
 - **Local arrangements**
 - **Board assessments**
 - **Identified Risks and Mitigation**
 - **Recorded Breaches**
 - **Data Review**
 - **Annual Workplan and reviews**
 - **Training**
 - **Expenses and Costs**
 - **Recommendations**
-

Update on current and future issues

Current/Future Issues

- GDPR
 - Voluntary Scheme Pays
 - Survivor benefits – Court judgments
 - Dashboards – A technological future
 - Annual Benefit Statements
 - TPR – Data Scores
 - Scheme Reconciliation
 - Transitional Protections Challenge
 - 2018 amendment order
-



GDPR

- From 25 May 2018 the EU General Data Protection Regulation (GDPR) introduces new legislation governing the collection, use, and processing of personal data.
 - Do you know who your DPO officer is?
 - Have you received sufficient training?
 - Have you been approached as board members
 - Have you considered your processes
 - What input have you had as board members?

<http://www.fpsregs.org/index.php/legal-landscape/general-data-protection-regulation-gdpr>
<http://www.fpsboard.org/index.php/events>

Voluntary Scheme Pays

- Do you have a policy
 - Communication strategy
 - Was the board a part of this decision
 - Have key timescales been considered?
-



Survivor benefits – Court Judgments

- [‘Brewster’](#) – Nomination of cohabiting partner
 - [Walker](#) – Same Sex marriage / Civil Partner Survivors pension
-



Driving Technology

- Will dashboards drive expectations
 - Access to benefits on-line
 - How are you going to get there?
 - What processes do you need to have in place?
-

Annual Benefit Statements

1992 Scheme

2006 Scheme

Retained Modified Scheme

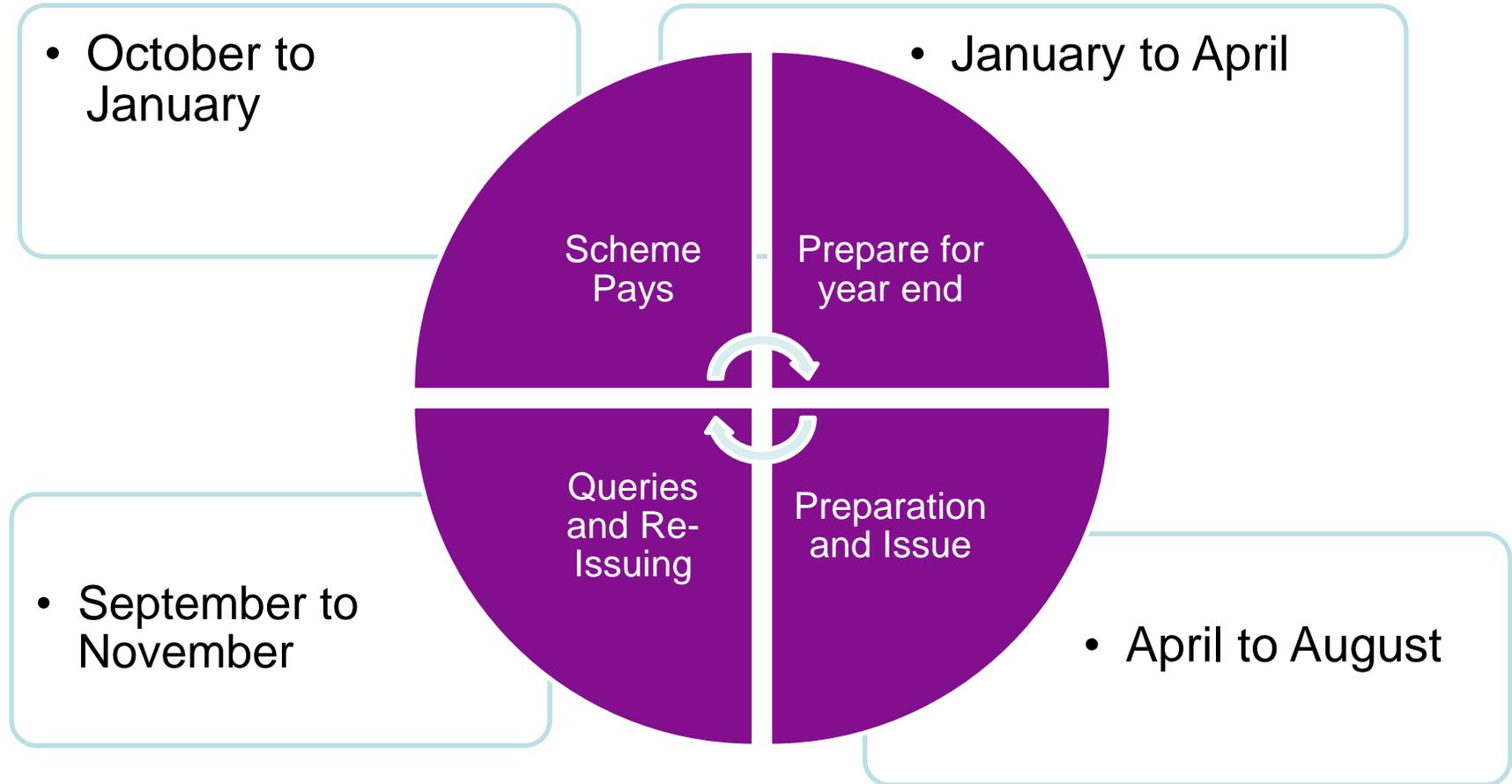
2015 Scheme



10 different types of member

	Protected	Tapered	Unprotected	Transitional
1992 Scheme	√	√	X	√
2006 Scheme (Standard member)	√	√	X	√
2006 Scheme (Special member)	√	√	X	√
2015 Scheme	x	x	√	x

Benefit Statements Cycle



Administrator Processes

Data Cleansing	Modified Retained Data Starters / Leavers Part Time Temporary absence
Receive end of year data from employers	
Check and query data received	
Load into system	Check matches leavers and starters Check matches temporary leave records

Administrator Processes

Run end of year processes to build 2015 scheme pension records	
Check and query results of end year	
Run annual benefit statements	Provisional Mode Actual Mode
Finalise formats and send to printers	

Data scoring

- Data underlines everything in pensions – how good is yours?
 - In this years scheme return TPR will be asking schemes to provide their scheme specific data score
 - [Slides 59 to 87](#) refer
 - TPR Data Measuring [Guidance](#)
-

Reconciliation Stages

Stage 1

- Request HMRC Data and perform initial analysis

Stage 2

- Reconcile

Stage 3

- Update Scheme Data
-

A changed membership

protected

tapered

unprotected



Primary legislation

- Section 18 of the 2013 act

<http://www.legislation.gov.uk/ukpga/2013/25/section/18>

- Paragraph 5&6 provides for full protection of members, or those who were eligible to be members [18 (5a)] on satisfaction of a 'prescribed condition' - *(for example, the attainment of normal pension age under the existing scheme or another specified age) before a specified date.*
 - Paragraph 7 goes onto give additional 4 years 'transitional' protection for those meeting the specified condition.
-

Secondary legislation

- SI 2014/2848 - Schedule 2
 - <http://www.legislation.gov.uk/ukxi/2014/2848/schedule/2/made>
 - Part 2 - Rules 12, 13 & 14 Define full protection of 1992 and NFPS
 - Part 3 - Rules 18, 19 & 20 define tapered protection
-

The transitional protections challenge

- Is it a proportionate means to achieving a legitimate aim?

	ET	ETA	Appeals	Next stage
Legitimate aim	Yes	Yes	?	
Proportionate means	Yes	Needs to be re-tested under UK law	?	

Resources

- www.fpsboard.org
 - www.fpsregs.org
 - [Monthly bulletins](#)
 - [Local Pension Board Resources](#)
 - [SAB Minutes](#)
 - [Regulations](#)
 - [GAD Guidance](#)
-

Events and Training

- For details of all events please click [here](#)
 - Check out the calendar section of the [bulletins](#) for all up coming events
-

Any questions





With thanks and credit to:

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

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.**
-

Thank you for listening

Clair.Alcock@local.gov.uk

Mobile: 07958 749056

Office: 020 7664 3189

Bluelight.pensions@local.gov.uk

www.fpsboard.org & www.fpsregs.org