

 **Information**

# The Pension Regulator – six key processes

## Introduction

The Pensions Regulator (TPR) has a statutory duty for regulatory oversight under the [Public Service Pensions Act 2013](#) and monitors six key processes as part of their [annual governance and administration survey](#). TPR uses these key processes as indicators of public service pension scheme performance.

In 2019, two-thirds (64 per cent) of public service schemes had all six key processes in place.

For the Firefighters' Pension Scheme (FPS) across England, Wales, Scotland and Northern Ireland, 55 per cent have all six processes in place<sup>1</sup>.

The TPR report notes that this is a decrease from 2018, which is likely due to a change to the question on assessing and managing risk. Nevertheless, the FPS had the lowest proportion of all processes in place.

Publication of the 2019 TPR research report was delayed due to the COVID-19 pandemic. The LGA surveyed Fire and Rescue Authorities (FRAs) on the impact of the pandemic on their own governance arrangements. The [COVID-19 governance survey update](#) was presented to the Scheme Advisory Board (SAB) in September 2020.

This factsheet has been updated to give further guidance to FRAs on the six key processes in order to achieve a higher rate of understanding and compliance ahead of the next survey.

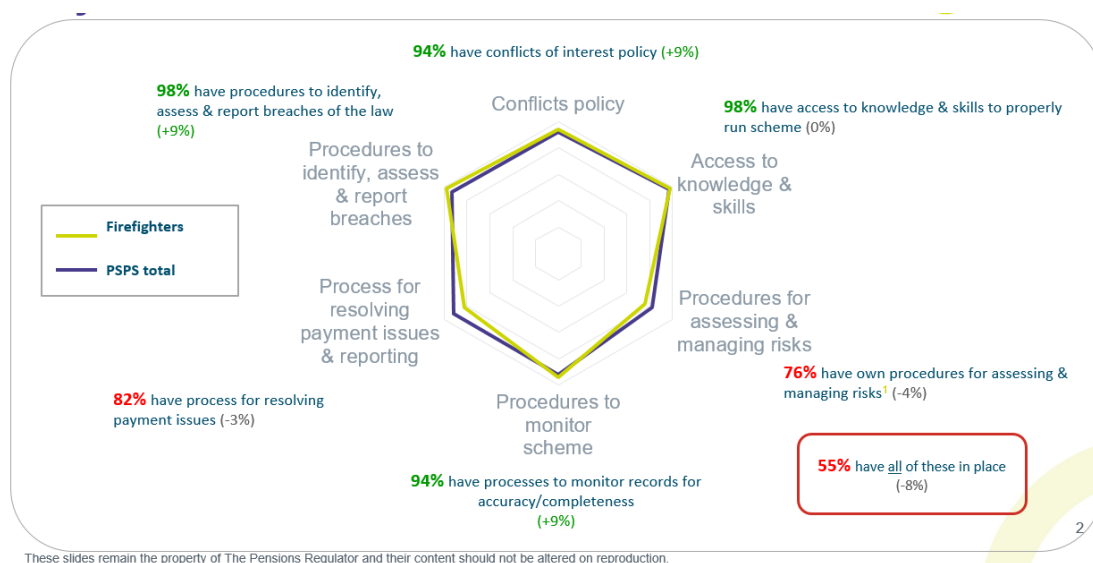
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<sup>1</sup> [TPR public service research report 2019](#) [Paragraph 1.1]

## The six processes

- [Documented procedures for assessing and managing risks](#)
- [Process for resolving contribution payment issues](#)
- [Documented policy to manage board members conflicts of interest](#)
- [Process to monitor records for accuracy / completeness](#)
- [Access to knowledge, understanding and skills needed to properly run the scheme](#)
- [Procedures to identify, assess and report breaches of the law](#)

## TPR Governance and Administration survey results 2019



Source: [Local Pension Board Wrap Up Training 2020](#) – slide 29

## Historical results

	2019	2018 <sup>2</sup>	2017 <sup>3</sup>	2016 <sup>4</sup>	2015 <sup>5</sup>
Conflict of interest	94%	85%	94%	80%	78%
Knowledge and skills	98%	98%	92%	94%	36%
Risk	76%	80%	63%	44%	36%
Monitoring records	94%	85%	80%	88%	88%

<sup>2</sup> [FPS AGM 2019 - slide 20](#)

<sup>3</sup> [FPS governance conference 2018 - slide 17](#)

<sup>4</sup> [FPS AGM 2017 - slide 29](#)

<sup>5</sup> [TPR public service research report 2015](#)

Contribution issues	82%	85%	84%	68%	78%
Breaches of law	98%	89%	84%	78%	36%
All six processes in place	55%	63%	41%	-	-

There has been a clear improvement in most processes since the survey was introduced in 2015.

The decline in risk management processes in 2019 is likely to reflect an amendment to the questionnaire which asked if organisations have their 'own' documented procedures in place. The decrease was less marked for FPS than other named public service schemes.

Although the 2019 results appear to be improved in the majority of areas, performance still lags behind other public service schemes with only 55 per cent of Firefighters' schemes having all six key processes in place. The table below shows where improvement is most needed.

Process	Not in place
<a href="#">Risk</a>	24%
<a href="#">Contribution issues</a>	18%
<a href="#">Conflict of interest</a>	6%
<a href="#">Monitoring records</a>	6%
<a href="#">Breaches of law</a>	2%
<a href="#">Knowledge and skills</a>	2%

Each FRA should ensure that they assess which processes they have in place and take action to improve.

## Documented procedures for assessing and managing risks

At the 2019 survey, 76 per cent of Firefighters' schemes reported to have documented procedures for assessing and managing risks, with a slightly higher proportion (86 per cent)<sup>6</sup> having a risk register in place.

TPR analysed the impact of risk registers on performance and found that schemes with a risk register in place performed significantly better in other areas. This demonstrates the importance of good internal controls as an indicator of effective governance.

	Risk register	No risk register
Have a documented policy to manage pension board members' conflicts of interest	95%	86%
Have a register of pension board members' interests	95%	86%
Held at least 4 board meetings in last 12 months	36%	0%
Evaluate knowledge, understanding and skills of the board at least annually	90%	57%
Have a succession plan for members of the pension board	55%	14%
Have documented procedures for assessing and managing risk	86%	14%
Reviewed exposure to new/existing risks at any board meetings (1+) in last 12 months	100%	57%
Completed a data review in last 12 months	90%	71%
Identified any issues in latest data review	85%	40%

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Source: [Local Pension Board Wrap Up Training 2020](#) – slide 39

The SAB has recently published agreed and published its own [risk register](#) to demonstrate good practice.

Despite improved understanding of risk being reported as the top driver of improvement to governance and administration for the FPS at 57 per cent, TPR noted that Firefighters' schemes are least likely to regularly review their exposure to new and existing risks, with only 20 per cent reviewing this each quarter<sup>7</sup>. This is reflective of the fact that FPS boards are least likely to hold the recommended four meetings per year:

*“Other’ schemes were most likely to have held at least four board meetings in the previous 12 months (82% had) and Firefighters’ schemes least likely (31% had).”<sup>8</sup>*

Schemes were asked to comment on the top three governance and administration risks on their register. For the FPS these were record-keeping and securing compliance with regulatory change (both at 53 per cent) and recruitment and

<sup>6</sup> [TPR public service research report 2019](#) [Table 4.2.1]

<sup>7</sup> [TPR public service research report 2019](#) [Table 4.2.4]

<sup>8</sup> [TPR public service research report 2019](#) [page 2]

retention of staff or knowledge at 24 per cent<sup>9</sup>. Correspondingly, these issues were also identified within the top barriers to improving governance and administration: complexity of the scheme (84 per cent); volume of changes required to comply with legislation (55 per cent); recruitment, training and retention of staff and knowledge (31 per cent)<sup>10</sup>.

It is interesting to note that while only 2 per cent of FRAs had identified the McCloud judgment ([age discrimination remedy](#)) as a risk, 51 per cent stated it was a barrier to improvement. We would encourage all FRAs to add this to their registers as we believe there is considerable risk in the following areas:

### Age Discrimination: Deferred Choice Underpin



Risk considered the biggest factor in supporting DCU



Resources available to support immediate choice both at officer FRA level and administration



Risk about the levels of technology and information available to support decision making



Risk of knowledge being available



Risk of members making wrong decisions

Despite record keeping (i.e. receipt and management of correct data) being listed by 53 per cent of respondents as the joint top risk, 94 per cent of FRA reported that they have processes in place to monitor records. Evidence would suggest that there is some lack of clarity and understanding in what is being measured when it comes to record keeping, and accuracy and completeness of data. Further commentary on this is made under [monitoring records](#).

The risk of failure of internal controls had fallen from 22 per cent to 10 per cent in the 2019 survey. Internal controls are defined by [TPR code of practice 14](#) [paragraph 103] as “systems, arrangements and procedures that are put in place to ensure the scheme is being run in accordance with the scheme rules” and are therefore fundamental to ensuring compliance. Schemes who identify that they have no satisfactory mitigation in place for internal controls would need to prioritise mitigating that risk. An example of a failure of internal controls is where the delegated scheme manager cannot be identified.

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<sup>9</sup> [TPR public service research report 2019](#) [Table 4.2.3]

<sup>10</sup> [TPR public service research report 2019](#) [Table 4.9.1]

The FPS is an unfunded scheme with no investments, however, 8% of FRAs continued to list funding or investment as a risk. Relevant funding risk to the schemes could be considered as:

- Failure to deduct correct contributions from pay.
- Failure of the employer to pay contributions from the scheme.
- Failure to manage the notional pension fund correctly i.e. not abating pensions when necessary or claiming for payments under the compensation scheme.

It should be noted, that while the impact of increased employer contributions is certainly something that would be recognised by the wider FRA risk register, it is not a 'pensions' risk, and does not need to be included on pension risk registers.

Anecdotally, we understand that understanding who the risk register is for and whose responsibility it is to maintain is one of the most common problems for FRAs and Local Pension Boards (LPBs).

It is the LPB's statutory duty to assist the [scheme manager](#) in ensuring compliance<sup>11</sup>, therefore the responsibility for risk sits with the scheme manager, and it is for the board to ensure there is suitable mitigation of risk in the form of a risk register and procedures.

In such cases where the role of scheme manager for the organisation appears to be unclear and there is no suitable delegation in place, then lack of internal controls would need to be on the risk register.

#### **Common risk items are:**

Failure to have appropriate governance arrangements in place.

Failure to ensure internal controls are in place to manage the scheme appropriately.

Failure to ensure legislation, rules and guidelines are interpreted correctly and therefore failure to secure compliance.

Failure to ensure any conflicts of interest are identified and declared in a transparent and open manner.

Failure to ensure member data is complete and accurate and is of suitable quality to be relied upon.

Failure of administration processes / occurrence of maladministration.

Failure to ensure that there timely and accurate communication arrangements in place.

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<sup>11</sup> [The Firefighters' Pension Scheme \(Amendment\) \(Governance\) Regulations 2015](#) [Regulation 4A, Paragraph 1]

Failure to ensure an operational disaster such as significant fire or flood does not impact on the activities of the Local Pension Board or the Pension Administrators.

Failure to ensure suppliers and customers are not overcharging and creating additional liabilities against operational budgets resulting in a lack of value-for-money (VFM).

Failure to ensure occurrences of fraud are identified and escalated within client / constituent authority.

Failure to ensure employers pay the appropriate contributions to the scheme, and that employees are contributing appropriately.

Failure to ensure there is appropriate membership of the LPB, as a result of planned or unplanned absence.

Failure to ensure the LPB is able to fulfil its information reporting requirements in terms of reporting to the Pensions Regulator and Local Government Association as well as reporting between the LPB, administrator, FRA and SAB etc.

An example risk register and other related resources are available on the [LPB resources webpage](#). We recommend that schemes examine and update their risk registers to ensure relevant risks and current mitigations are reflected, and also ensure that risk is an agenda item for each quarterly meeting to review that the risk is still relevant and that appropriate mitigating controls are in place.

## Process for resolving contribution payment issues

At the 2019 survey, 82 per cent of Firefighters' Pension Schemes reported to have a process for resolving contribution payment issues in place. This is a three-percentage point drop from 2018 but has risen significantly from 68 per cent in 2016. Ninety per cent have a process for monitoring the payment of contributions<sup>12</sup>.

While it is recognised that contribution payment issues are more likely to be an issue for multi-employer funded schemes rather than a single employer non-funded scheme, there are several challenges that can arise for the FPS, both within business as usual processes and the forthcoming implementation of age discrimination remedy.

There should be a documented procedure for dealing with these challenges as part of the process for resolving contribution payment issues.

## Business as usual

### BAU processes include:

Calculation of correct [Additional Pension Benefits \(APBs\)](#) as per circular [FPSC 02/2008](#).

Discretion to request a member to pay the employer contributions during absence from work due to illness, injury, trade dispute or authorised absence [[Rule 111](#)].

Employer ill-health contributions: two times pensionable pay for lower tier ill-health and four times pensionable pay for higher tier ill-health<sup>13</sup>.

Identification of members who qualify for a [contribution holiday](#) upon reaching 30 years' pensionable service before age 50 and implementation of the holiday [[Rule G2, paragraph 1B](#)].

Monitoring contributions for a [special member of FPS 2006](#) who is paying periodic contributions over ten years, particularly for those paying by direct debit.

Backdated [pensionable pay decisions](#) due to case law and subsequent adjustment to contributions.

Taper-protected contribution changes for both the employee and employer where a member transitions from FPS 1992 or FPS 2006 to the FPS 2015 every 56 days<sup>14</sup>.

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<sup>12</sup> [TPR public service research report 2019](#) [Table 4.3.7]

<sup>13</sup> [Guidance for Fire and Rescue Authorities on new financial arrangements for firefighter pensions with effect from April 2006](#) [Paragraph 3.4]

<sup>14</sup> [Part 4 Taper Tables](#)



Any taper-protected members going through the IQMP process before reaching their taper date to remain paying contributions at the relevant rate for their final salary scheme<sup>15</sup>.

## Age discrimination remedy

Contribution adjustments will be needed for members who change schemes as a result of remedy implementation. Depending on the outcome of the HMT consultation on removing discrimination, these adjustments will need to be made once or twice.

### Adjustments needed:

Balancing contributions between FPS 1992 and FPS 2015.

Refund contributions between FPS 2006 and FPS 2015.

Contributions for temporary promotion to be treated as an APB under FPS 1992 and FPS 2006.

Additional balancing payments for CPD as an APB in FPS 1992 and FPS 2006.

Adjustment +/- for contribution holiday

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<sup>15</sup> [The Firefighters' Pension Scheme \(England\) \(Amendment\) Regulations 2017](#)

## Documented policy to manage board members' conflicts of interest

The Firefighters' schemes returned the highest score across the public sector for having a documented policy to manage board members' conflicts of interest. This has increased nine points to 94 per cent, from 85 per cent in 2018<sup>16</sup>.

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
<b>PSPS Survey 2019</b>	<b>92%</b>	<b>73%</b>	<b>94%</b>	<b>92%</b>	<b>93%</b>
PSPS Survey 2018	90%	82%	85%	93%	91%
PSPS Survey 2017	92%	91%	94%	92%	91%
PSPS Survey 2016	81%	100%	80%	85%	71%
PSPS Survey 2015	85%	100%	79%	87%	86%

Under [regulation 4C](#) of the FPS 2015 regulations, the scheme manager must ensure that there is no conflict of interest upon appointment and manage any potential conflict of interest that may arise.

The Public Service Pensions Act 2013<sup>17</sup> confirms that a conflict does not arise by virtue of membership of the scheme or any connected scheme but “means a financial or other interest likely to prejudice the person's exercise of functions as a member of the board” [Paragraph 5.12].

[Guidance on the creation and operation on LPBs](#) produced in 2015 confirms:

*“It is important to note that the issue of conflicts of interest must be considered in light of the LPB’s role, which is to assist the scheme manager. The LPB does not make decisions in relation to the administration and management of the scheme: these decisions still rest with the scheme manager. As a result, it is not anticipated that significant conflicts will arise in the same way as would be the case if the board were making decisions on a regular basis. Nevertheless, steps need to be taken to identify, monitor, and manage conflicts effectively.”*

TPR [code of practice 14](#) covers conflicts of interest at paragraphs 61 to 89; paragraph 89 provides examples of conflicts that may arise.

A documented policy to manage board members conflicts of interests should include how the scheme manager intends to identify, monitor, and manage conflicts and potential conflicts.

The SAB published its [conflict of interest policy](#) in January 2020.

<sup>16</sup> [TPR public service research report 2019](#) [Table 4.1.1]

<sup>17</sup> [Public Service Pensions Act 2013](#) [Section 5(5)]

## Process to monitor records for accuracy / completeness

At the 2019 survey, 94 per cent of Firefighters' Pension Schemes reported to have a process to monitor membership types on an ongoing basis to ensure they are complete and accurate. This has also increased nine points, from 85 per cent in 2018<sup>18</sup>.

Proportion with a process...		Total			Scheme Type		
		Schemes	Memberships	Other	Fire-fighters	Local Govt	Police
To monitor records for all membership types on an ongoing basis to ensure they are accurate and complete	2019	92%	97%	100%	94%	94%	82%
	2018	91%	92%	91%	85%	95%	89%
	2017	85%	95%	100%	80%	88%	81%
	2016	89%	91%	91%	88%	90%	86%

TPR [guidance on record keeping](#) says “you should not rely on the statutory audit to tell you the quality and accuracy of your data or the controls around it. You should take an active role in monitoring data. This should be an ongoing process.”

### Processes for monitoring records should include:

How administrators are informed when someone joins or leaves the scheme, whether this is manually or electronically and how often.

How and when members might move from final salary into the CARE scheme.

How special members records will be kept up to date including how their options are recorded, for example whether they opted to pay by periodical contributions or lump sums.

How entitlement to certain benefits, such as APBs, [two-pension award](#), or contribution holiday might be identified and recorded.

How and when contributions might change, for example moving into the next contribution band or tapering into FPS 2015.

Recording and reporting changes to a member's personal details, such as name and address.

<sup>18</sup> [TPR public service research report 2019](#) [Table 4.3.7]

Whether someone who has a pension in payment (whether from the same FRA or another) is employed or re-employed for [abatement](#) and/ or [protected pension age](#) purposes.

In what circumstances a data improvement plan might be expected to be put into place.

Processes to monitor records are closely linked to [data scoring](#) and the processes in place for [measuring accuracy](#).

Paragraphs 122 to 146 of [code of practice 14](#) cover record keeping and data scoring.

We commented in the previous version of this factsheet that the findings around data processes contrasted with the research done by AON as part of the SAB administration and benchmarking project in 2018-19.

In the Aon questionnaire, some employers indicated that they sometimes experience difficulties in providing data for the administration of the scheme; in meeting expected turnaround times, providing data of required quality, not being clear on what was expected and extracting data.<sup>19</sup> There was also an inconsistency between the scheme specific data scores reported by employers (31 employers provided a score which gave an average of 90 per cent<sup>20</sup>) to the scores reported by administrators (34 administrators provided a score which gave an average of 67 per cent<sup>21</sup>).

As AON comment at page 61 of their report:

*“Given, that the scheme is a single employer scheme, one might expect reasonably higher levels of data quality compared to a multi-employer scheme.”<sup>22</sup>*

While it can be difficult to draw definite conclusions, due to the differences in questions asked and uncertain nature of surveys, these discrepancies do seem to indicate that there is a lack of clarity and understanding in what should be measured in respect of accuracy and completeness of data. This position is supported by the limited data received from FRAs when asked to provide [details of their immediate detriment age discrimination cases](#) for the SAB.

Although the key process for TPR is the ongoing monitoring of all membership types to ensure accuracy, in order for that process to be effective TPR also measure whether there are:

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<sup>19</sup> [FPS administration and benchmarking review](#) [Pages 35 to 37]

<sup>20</sup> [FPS administration and benchmarking review](#) [Page 40]

<sup>21</sup> [FPS administration and benchmarking review](#) [Page 19]

<sup>22</sup> [FPS administration and benchmarking review](#) [Page 61]

## Administration and record-keeping processes:

Processes for employers to receive, check and review data [94 per cent]<sup>23</sup>

Whether employers provide timely data [86 per cent]<sup>24</sup>

Whether employers provide accurate and complete data [80 per cent]<sup>25</sup>

Employers who submit data monthly [76 per cent] and electronically [90 per cent]<sup>26</sup>

These scores have all increased between 6 to 15 per cent, with the most significant increase in the number of employers submitting data monthly and/ or electronically.

While Aon acknowledged in 2019 that administrators were largely content with the timely and accurate submission of data, they went on to state:

*“There appears to be a need to consider improving how data is transferred for some administrators and FRAs given that 38% of FRAs and 32% of administrators indicated that they do not currently operate an employer self-service facility. Clearly data is not the only factors, but it may be impacting on why a third of members did not agree that they received timely responses to queries and requests.”<sup>27</sup>*

It is positive to see that more FRAs are now submitting data to their administrator on a monthly basis. The SAB recommend monthly electronic data uploads, as an automated process that takes employee data from the payroll system and uploads to the administration system and checks for tolerance matches is likely to result in more accurate data. This also allows validation and data cleansing to take place on a monthly basis and queries to be addressed in real time. However, an electronic process could also be in the form of a spreadsheet upload.

The percentage of Fire schemes undertaking an annual data review has increased year on year but is still lower than all other schemes except Police in 2019, at 88 per cent<sup>28</sup>. The most commonly identified data issues were incorrect or missing postcode, first line of address, or NI number<sup>29</sup>.

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<sup>23</sup> As above

<sup>24</sup> [TPR public service research report 2019](#) [Table 4.3.9]

<sup>25</sup> As above

<sup>26</sup> [TPR public service research report 2019](#) [Table 4.3.12]

<sup>27</sup> As above

<sup>28</sup> [TPR public service research report 2019](#) [Table 4.5.1]

<sup>29</sup> [TPR public service research report 2019](#) [Table 4.5.2]

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	92%	100%	88%	97%	82%
PSPS Survey 2018	83%	82%	78%	93%	68%
PSPS Survey 2017	75%	100%	71%	74%	74%
PSPS Survey 2016	79%	100%	68%	83%	77%
PSPS Survey 2015	70%	58%	50%	77%	77%

Of those respondents that had identified issues, only 2 per cent stated that no data improvement plan had been developed and no work undertaken<sup>30</sup>.

Although robust data underpins all pensions transactions, as we move through the process of implementing age discrimination remedy having a good understanding of where data is held, how accurate it is, and how to monitor, measure, and report it, is going to be more important than ever.

Some examples of data considerations specific to remedy are detailed below. The LGA are working with the Fire Communications Working Group on remedy data guidance and a standard data collection template.

## Remedy data

Pay Data	Service Records	Final Salary	Opt-Outs
<ul style="list-style-type: none"> <li>CARE Pay for current protected members</li> <li>Final Salary Pay for Remedy Period               <ul style="list-style-type: none"> <li>Include any temporary promotion not pensionable in FPS 2015</li> </ul> </li> <li>For retained this will be actual pay and full time equivalent pay to establish service records</li> </ul>	<ul style="list-style-type: none"> <li>Final Salary Service Record will need re-creating               <ul style="list-style-type: none"> <li>Maternity Leave</li> <li>Paternity Leave</li> <li>Parental Leave</li> <li>Authorised Absence</li> </ul> </li> <li>Have contributions been repaid to establish service?</li> <li>Changes to hours are recorded</li> </ul>	<ul style="list-style-type: none"> <li>Would entitlement to two pensions have been established by a drop in pay?</li> <li>Temporary Promotion in FPS 2015 would be treated as APB in Final salary if appropriate discretion is in place</li> <li>CPD payments in FPS 2015 will need to be treated as APB in final salary scheme</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on consultation decision</li> <li>Eligibility Criteria needs to be established</li> <li>Data needed</li> <li>Collate all opt-outs from 1 April 2014</li> <li>Establish reason for opt-out, ie auto-enrolment</li> </ul>

<sup>30</sup> [TPR public service research report 2019](#) [Table 4.5.3]

## Procedures to identify, assess and report breaches of the law

At the 2019 survey, 98 per cent of Firefighters' Pension Schemes reported to have procedures both to identify and assess and report breaches of the law. Scoring against this process has increased each year that the survey has been carried out<sup>31</sup>.

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	93%	100%	98%	90%	93%
PSPS Survey 2018	93%	100%	89%	94%	93%
PSPS Survey 2017	90%	100%	84%	95%	84%
PSPS Survey 2016	84%	100%	78%	91%	69%
PSPS Survey 2015	53%	67%	36%	51%	73%

Paragraph 242 of [code of practice 14](#) confirms a list of responsible bodies who are required by law to report a breach of law. This includes all parties who are involved with or have an interest in running the scheme.

A procedure for identifying, recording, and assessing breaches of law should:

1. Determine whether a breach of law has occurred
2. Record the Breach
3. Assess for materiality to TPR
4. Report to TPR if considered material

## Identify and determine whether a breach of law has occurred

### Breaches could be identified in a number of different ways:

Tracked under a regular board agenda item - i.e. annual benefit statements

Flagged from a LGA bulletin - e.g. guidance on two pension calculations

Reported by the pension administrator - e.g. incorrect benefits paid

Reported by the scheme manager - e.g. identification of a pension accounting error

Reported by a scheme member - e.g. pension entitlements incorrectly identified due to lack of procedures

<sup>31</sup> [TPR public service research report 2019](#) [Table 4.8.1]



## Record the breach

If a potential breach has been identified, both the facts and regulations need to be examined to clarify which regulation or statutory process has been breached<sup>32</sup>. Administrators may be able to help with this or FRAs can submit a [technical query](#) to the LGA Bluelight pensions team, who will respond confidentially to the query.

Once a breach of law has been determined, it must be recorded, whether or not it is subsequently found to be material. The breach can be recorded by completing the LGA [breach assessment template](#) and providing a copy to the LPB and scheme manager.

## Assess the breach for materiality to TPR

The TPR survey results showed that in 2019, 27 per cent of Firefighters' schemes recorded breaches of law that excluded those relating to annual benefit statements. Of these, 10 per cent were reported as material<sup>33</sup>.

Schemes should ensure that where a breach has not been assessed as material there is clear evidence of the assessment available.

TPR have published [guidance on assessing materiality](#), which is often referred to as the traffic light system for assessing over four key categories: Cause, Effect, Reaction and Wider Implications. The breach assessment template has been developed to use in line with the TPR guidance.

Potential investigation outcomes				
	Cause	Effect	Reaction	Wider implications
Red	Inadequate internal processes for issuing annual benefit statements, indicating a systemic problem	All members may have been affected	Action has not been taken to correct the breach and/or identify and tackle its cause to minimise the risk of recurrence and identify other members who may have been affected	It is highly likely that the scheme will be in breach of other legal requirements
Amber	An administrative oversight, indicating variable implementation of internal processes	A small number of members may have been affected	Action has been taken to correct the breach, but not to identify its cause and identify other members who may have been affected	It is possible that the scheme will be in breach of other legal requirements
Green	An isolated incident caused by a one off system error	Only one member appears to have been affected	Action has been taken to correct the breach, identify and tackle its cause to minimise the risk of recurrence and contact the affected member	It is unlikely that the scheme will be in breach of other legal requirements

Assessment for materiality should also consider any relevant history, i.e. have breaches occurred for the same membership type previously, and what action is being taken to ensure no further breaches occur.

An example of this is annual benefit statements for special members of FPS 2006. We understand there are relatively low numbers of special members who did not receive a benefit statement by the deadline of 31 August 2019 as the statement needed to be manually calculated and checked. Materiality cannot be determined on the low numbers alone; an assessment of materiality should include whether these

<sup>32</sup> [TPR code of practice 14](#) [Paragraph 246]

<sup>33</sup> [TPR public service research report 2019](#) [Figure 4.8.2]



members have previously experienced issues or delays with statements and calculations.

## Report to TPR

Finally, if the breach is assessed as material it must be reported to TPR and submitted either by post or electronically using email or the exchange online service.<sup>34</sup> The breach assessment template can be submitted as a record of the breach.

For further information on breaches, see:

[FPS AGM 2020 Day 1 presentation by TPR](#) [Slides 4 to 12]

[TPR code of practice 01: Reporting breaches of the law](#).

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<sup>34</sup> [TPR code of practice 14](#) [Paragraphs 263 to 271]

## Access to knowledge, understanding and skills needed to properly run the scheme

At the 2019 survey, 98 per cent of Firefighters' Pension Schemes reported to have procedures to enable access to all the knowledge, understanding and skills necessary to properly run the scheme; this is unchanged from 2018. In addition, 88 per cent said they had sufficient time and resources to run the scheme properly.<sup>35</sup>



However, over one third of schemes (35 per cent) rated lack of resources or time as one of their top three barriers to improving scheme governance and administration. Additionally, 31 per cent cited training and retention of staff and knowledge.<sup>36</sup>

[Paragraphs 34 to 60 of code of practice 14](#) cover the knowledge and understanding required by board members. TPR published a [quick guide to personal development](#) for board members in 2015 and expect the modules in the [Public Service toolkit](#) to be completed as a minimum training requirement.

### A procedure for ensuring there is access to knowledge, understanding, and skills to run the scheme should include:

Confirmation of the legal requirements for board members

Relevant policies

Access to a development discussion (not mandatory) to discuss any requirements board members have to fulfil their role

Annual access to training to ensure knowledge and understanding of the responsibilities of the Scheme Manager and Local Pension Board

[The scheme rules](#)

<sup>35</sup> [TPR public service research report 2019](#) [Figure 4.1.4]

<sup>36</sup> [TPR public service research report 2019](#) [Table 4.9.1]

[TPR code of practice 14](#)

Wider pension rules

[LGA bulletins](#) should be made available to all board members

All members should be offered an opportunity to attend [national events](#) run by LGA and sponsored by the SAB

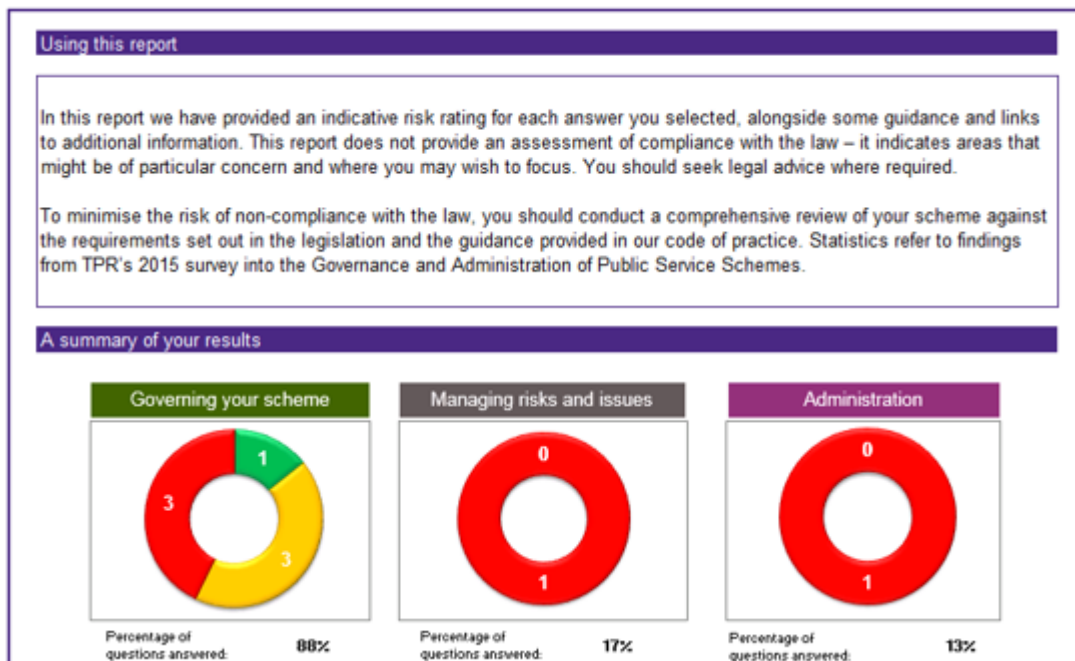
A log of all training undertaken by board members in the form of a personal [training needs analysis](#)

An annual evaluation of skills

To assess the knowledge, understanding, and skills of the LPB, 85 per cent of scheme managers or board carry out an evaluation at least annually. Sixteen per cent evaluate on a quarterly basis.<sup>37</sup>

Boards need to have a robust plan to ensure that regular evaluation takes place of the skills needed to run the scheme properly, particularly for boards with a high turnover. It is also important to identify whether the skills level is split evenly or if the board relies on a particular individual as this can feed into the risk matrix.

TPR have an [online tool for schemes to assess their knowledge and understanding](#) in the following areas: governing your scheme, managing risks and issues, and administration.



<sup>37</sup> [TPR public service research report 2019](#) [Figure 4.1.5]

## Further Resources

- [Firefighters' Pension Schemes Management and Governance Factsheet](#)
- [Scheme Manager Factsheet](#)
- [Local Pension Board Guidance, Training and Resources](#)
- [The Pensions Regulator Guidance and Resources](#)
- [Code of Practice 14](#)
- [Library of TPR Admin and Governance Surveys](#)

This factsheet has been prepared by LGA to give guidance on the TPR six key processes and provide commentary on the TPR governance and administration survey 2019 using the regulations and TPR guidance as they stand at January 2021.

In particular we note that due to the finding of the Court of Appeal in the case of Sargeant the scheme rules may be amended. this factsheet will be amended at that time and on an annual basis, referencing any changes to the scheme and policies that might be needed.

This factsheet should not be interpreted as legal advice.