

# Firefighter Pension Schemes Management and Governance 25 June 2019

## **I don't**

- Police
  - Inspect
  - Regulate
  - Report
  - Whistle blow
- 

## **I do**

- Advise
- Guide
- Help
- Steer

# Administration and management

- The Fire and Rescue Authorities (FRAs) are responsible for the management and administration of their scheme and are defined in law as the [scheme manager](#) - Responsibility to comply with overriding pension legislation is on each FRA.
  - At present this responsibility is managed differently within each FRA.
  - Each FRA is required to administer the pension scheme either inhouse or appoint a third party administrator. A list of Authorities and their administrators can be found [here](#).
-

# Administration and Management

	Wales	England	Scotland	N.Ireland
Scheme Manager	3	45	1	1
Administrators	2	19	1	1
Software	1	2	1	0/1

## Funding

- The top up grant provided from central government covers pension payments only. It does not fund administration and management of the scheme.
-

- Unlike centrally administered schemes, where the employers pay an administration levy, FRAs have to fund pension costs arising from the administration and management of the scheme from their operating accounts.

# Firefighter Pension Scheme Members

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 <sup>st</sup> April 2014
			2006 standard transitional	
			2006 standard retained transitional	
			2006 special transitional members	

# Agenda

## Session One

- Whose responsible for decision making?
  - What makes it so complex?
-

## **Session Two**

- Current Landscape
- Pensionable Pay
- Valuation and McCloud and Sergeant

## **Session Three**

- How can your pension board assist you?

# Scheme Manager



## Scheme Manager Factsheet

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# Scheme Manager

- The Scheme Manager is defined in the regulations as being the ‘fire and rescue authority for an area in Wales determined in accordance with 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/wsi/2015/622/regulation/4/made>
-

## Power of delegation – Rule 14

- *(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/wsi/2015/622/regulation/14/made>
-

# Delegation not abdication

- Is there a natural home for pensions within your organisation?
  - Is this part of the senior management team?
    - Is it one persons responsibility?
  - Regular reports to the fire authority, and from whom?
-

Who

- An understanding of risk?

monitors? •

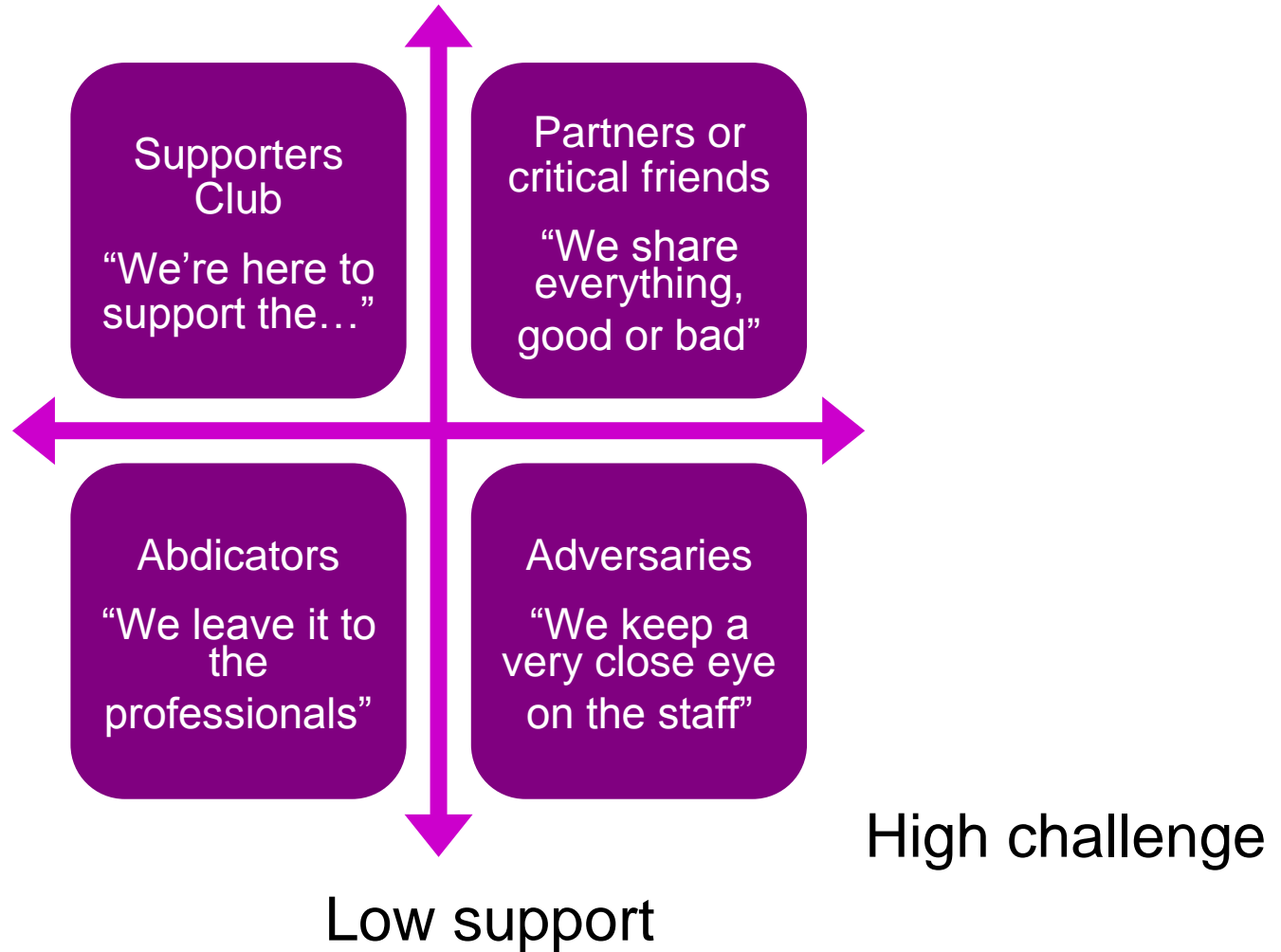
Does the Local Pension Board report directly to the Fire Authority

- What escalation procedures are there?

**Behaviours of a scheme manager**

High support

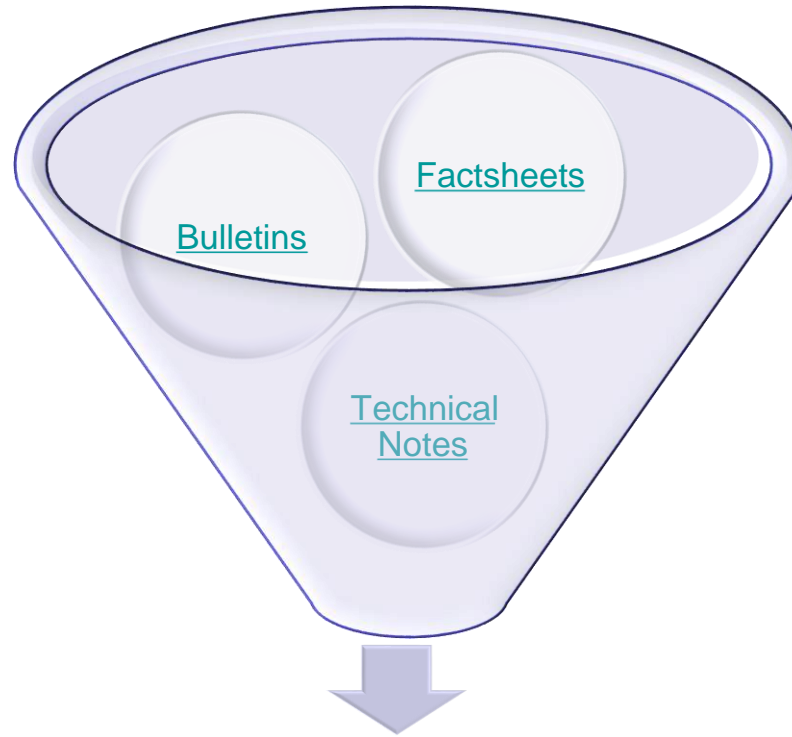
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# Risk

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

# Who or what is your filter?



**Scheme Manager**

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## Question 1

- Is there a clear scheme manager delegation
  - Is that delegation monitored • Does that differ across services?
  - Are the risks understood by the Fire Authority
  - What filters do you have in place to catch the actions?
-



# **WOULD YOU DO ANYTHING DIFFERENTLY FOLLOWING TRAINING?**



# Scheme Manager



# 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
-

# Scheme Year Cycle

• September to  
December

Queries and Re-  
Issuing ABS  
Pension Savings  
Statements  
TPR scheme return  
TPR admin and  
governance  
LGA Fire Pension  
Agm

• January to March

VSP Tax  
payments  
Data preparation  
scheme yr end

• June to  
August

Employer data  
deadline  
MSP deadline  
ABS issue

scheme year start  
ABS Preparation  
TPR survey  
results  
Pension Incs and  
CARE reval

• April to June

DATA

# Internal Dispute Resolution

- Guidance in [FPSC 1/2009](#) and [Bulletin 9](#)
1. First stage considered by Chief Fire Officer or a delegated senior manager (six months)
  2. Second stage considered by elected members (six months)
-

# Reporting to Home Office

- Top Up Grant
- Reports and Accounts
- Clear processes?

**AGM Workshop – Forecasting public service pensions**

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## Administration

- How are SLAs set?
- Are roles and responsibilities clear
- What services does the administrator offer?
- Regular meetings

## Breaches of the Law

- Who should report
    - Managers of the scheme
    - Pension board members
-



- Administrators
- Employers
- Professional Advisers
- Those involved in advising the scheme manager

**TPR Guidance**

**SAB Breach Assessment Guidance**

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# Breach Assessment



Secretariat: bluelight.pensions@local.gov.uk

## Breach Assessment Template

### Date of assessment

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

### Introduction

[Brief introduction to the breach being assessed]

### Identified

[Enter text about how the breach was identified, for example it might be:

- 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:

Available [here](#) -

## Pension board assistance

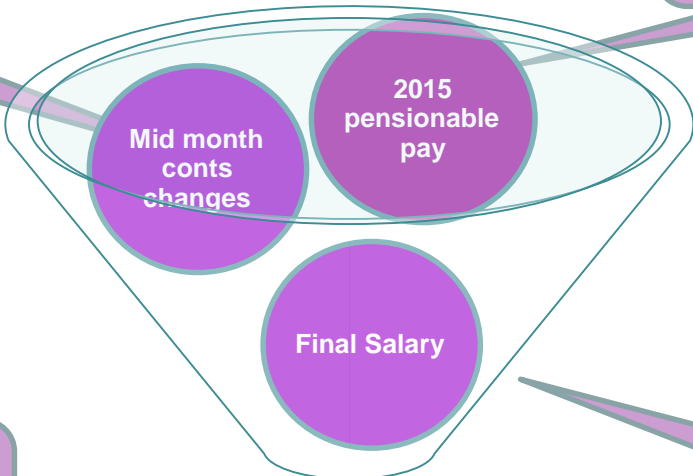
- Compliance of duties under the regulations and relevant legislation
  - Effectiveness of processes for the appointment of advisors and suppliers
  - Identify improvement of customer services
  - Identifying patterns of complaints
  - Reviewing the performance of administration
  - Reviewing the process for sharing data
-

# Record Keeping?

# Inputs

Change of contribution rate for mid month tapering

CARE pensionable pay for scheme year



Correct pension

Link to final salary for transitional benefits

# Outputs





## Question 2

- How do you implement new processes
  - Are you confident in your administrator relationship?
  - Record keeping
    - Have you completed scheme reconciliation
    - What was your data score?
-

- What are your priorities for coming year



## Question 2

- Are IDRPs managed effectively
  - How confident are you that risks are managed?
  - When would you expect the scheme manager to be notified of a breach?
-

- How does your pension board assist you?

**WOULD YOU DO ANYTHING DIFFERENTLY  
FOLLOWING TRAINING?**

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# Scheme Complexities

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# 1992 Firefighter Pension Scheme

- Open to regular firefighters
- 1/60<sup>th</sup> 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



# New Firefighter Pension Scheme

- Open to regular and retained firefighters from 6<sup>th</sup> April 2006
  - 1/60<sup>th</sup> 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



## **Special Members of the NFPS**

- 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 1/45<sup>th</sup>
- Normal pension age 55
- Deferred pension age 60
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children
- The options exercise ended February 2016.



## **2015 Firefighter Pension Schemes**

- All members transferred in April 2015
-

- Transitional protections apply for existing members of 1992/2006 scheme
- Accrual rate (currently) 1/61.4ths
- Retirement Age 60
- Earliest retirement age 55 (subject to rec)
- Career Average scheme
- Individual Pension accounts
- Deferred pension age equal to State Pei (min 65)



# What's different for Wales

- Accrual Rate
- Active Early Retirement Factors

## Compensation Scheme

- Benefits under the compensation scheme are paid where it is ruled there is a 'qualifying
-



injury', the amount of benefits depend on the degree of disablement.

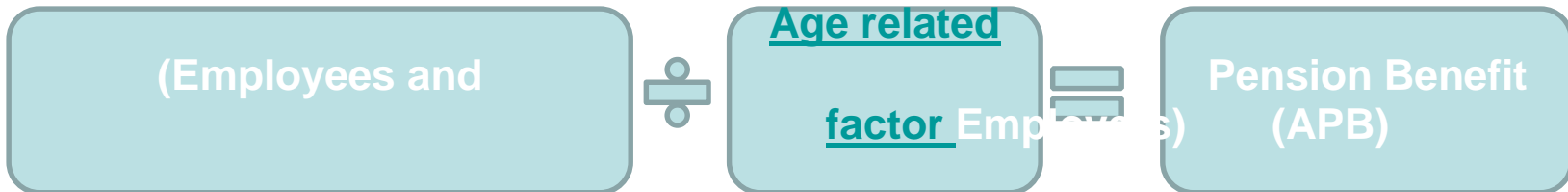
- The compensation scheme applies to all regular and retained firefighters, and pays equal benefits to those eligible regardless of what scheme they are in

## **Final Salary Discretionary Benefits (APB)**

1. Allowance or supplement to reward additional skills and responsibilities
-



2. Continuous Professional Development (CPD)
3. Temporary promotion, which began after 1 July 2013
4. Performance Related Payment



## APB Factsheet

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# Double Accrual Guarantee

- Recognises the expectation to double accrual for members in the 'old' 1992 Fire scheme.
  - Pro Rata's the expected benefit
  - [Transitional Member Guidance](#)
-

# Pay Protections

- This should be last 365 days ending with last day of service

Calculate pensionable pay

- If the final pay at retirement is lower than at point of transition the final pay will be calculated as the average pay (best of last three years)

- If the final pay at retirement is lower than pensionable pay for any year during transition, the higher pay is to be used

# 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

### **Nobody told us!**

- Drop in pay triggering two pension entitlement
  - Temporary Promotion pensionable under a discretionary APB only
  - Transition to 2015 scheme (Ill-Health)
  - Re-employed with another Fire Authority
  - Eligibility of the scheme [Eligibility Factsheet](#)
-

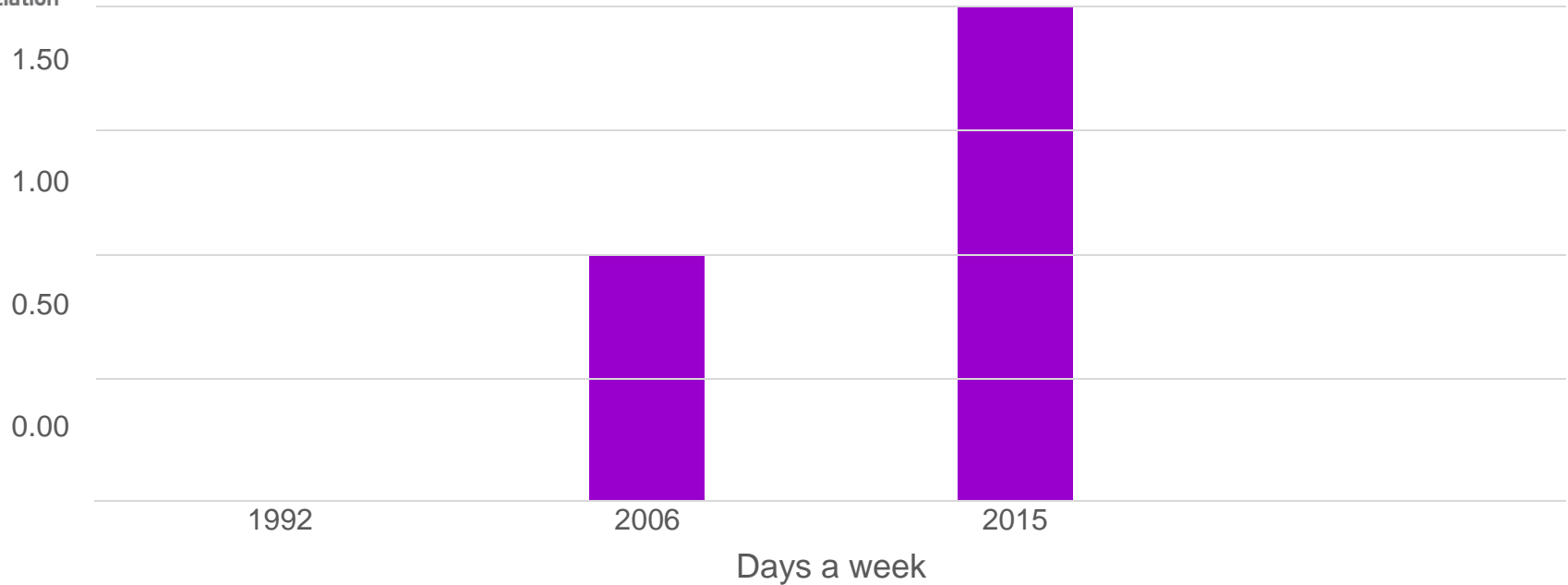
- How to determine pensionable pay
- Special members of the 2006 scheme

## Overall effect of changes in the last ten years on the time spent on Pensions by HR and Finance

2.50 **Officers (Days a week)**

2.00





**Illustrative only**

# 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 <sup>th</sup> (2/60 <sup>th</sup> after 20 years)	1/60 <sup>th</sup>	1/45 <sup>th</sup>	1/61.4 <sup>th</sup>
Benefit / Membership Cap	40/60 <sup>th</sup>	45 years	30 years	None
Revaluation rate	n/a	n/a	n/a	Average Weekly Earnings

## Central Support

- Fire & Rescue services are supported centrally by the LGA 'Bluelight' pension team, who are also the

secretariat for the board. The LGA Bluelight team run a framework of forums and groups, and events and conferences in order to support the FRAs with their responsibilities.

- There are two major software suppliers, Aquila Heywood and CIVICA which enables consistency in provision of technology.

## **LGA Framework and Support Services**

- Forums and Groups
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- Technical group
  - Communications group
  - Regional groups
  - [AGM](#)
  - [Monthly Bulletins](#)
  - [www.fpsregs.org](http://www.fpsregs.org)
  - [Technical Support](#)
-



Over 35  
attendances  
during 2018

# LGA Internal Representation





## Question 3

- How comfortable do you feel that the right processes are in place?
    - Eligibility to scheme
    - Pensionable Pay decisions understood and made correctly
    - Scheme discretions such as temporary promotion
-

- Data is shared with administrators, on time and accurately

## **WOULD YOU DO ANYTHING DIFFERENTLY FOLLOWING TRAINING?**

### **Other guidance**

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

- [Transitional Member Guidance](#)
  - [Pensionable Pay and Case Law](#)
  - [Factsheets](#)
-



Title	Date of publication
<a href="#">Pensionable pay</a> (PDF, 9 pages, 611kb)	May 2019
<a href="#">Authority Initiated Early Retirement (AIER)</a> (PDF, 3 pages, 410kb)	April 2019
<a href="#">Enhanced commutation</a> (PDF, 2 pages, 407kb)	April 2019
<a href="#">Entitlement to two pensions</a> (PDF, 15 pages, 571kb)	April 2019
<a href="#">Additional Pension Benefits (APBs)</a> (PDF, 4 pages, 409kb)	March 2019
<a href="#">Scheme manager guidance</a> (PDF, 2 pages, 365kb)	January 2019
<a href="#">Retirement from FPS 2015 - member factsheet</a> (PDF, 3 pages, 330kb)	November 2018
<a href="#">HMRC data request factsheet</a> (PDF, 2 pages, 396kb) LGA FAQs factsheet to assist Authorities in responding to HMRC's request for data on tax relief claims for FPS 2006 special members August 2018	
<a href="#">Eligibility to join FPS [Version 2 - tracked]</a> (PDF, 11 pages, 595kb)	April 2019
<a href="#">Eligibility to join FPS [Version 2 - clean]</a> (PDF, 6 pages, 492kb)	April 2019
<a href="#">Topping up your State Pension</a> (PDF, 2 pages, 266kb)	June 2018
<a href="#">FPS 2015</a> (Word, 2 pages, 87kb)	May 2018
<a href="#">CARE build up</a> (PDF, 1 page, 369kb)	May 2018
<a href="#">Abatement</a> (PDF, 2 pages, 382kb)	February 2018
<a href="#">Protected Pension Age (PPA)</a> (PDF, 2 pages, 404kb)	February 2018

# Scheme Regulations



	Wales	England
FPS 1992	<a href="#">WSI 2006/1672</a>	<a href="http://www.fpsregs.org/index.php/regulations/fps1992-regulations">http://www.fpsregs.org/index.php/regulations/fps1992-regulations</a>
FPS 2007	<a href="#">WSI 2007/1072</a>	<a href="http://www.fpsregs.org/index.php/regulations/fps2006-regulations">http://www.fpsregs.org/index.php/regulations/fps2006-regulations</a>
FPS 2015	<a href="#">WSI 2015/622</a>	<a href="http://www.fpsregs.org/index.php/regulations/fps2015-regulations">http://www.fpsregs.org/index.php/regulations/fps2015-regulations</a>

FCS 2007

[WSI 2007/1073](#)

<http://www.fpsregs.org/index.php/regulations/firefighters-compensation-scheme>

# Session Two

## Current Landscape

- Public Sector Pensions Tax
- Data Scores
- Survivor Judgments



- Exit Cap
- Dashboards
- SAB benchmarking review

## Public Sector Pensions Tax

- How well do you feel you understand pensions tax?
  - Do you have a VSP policy?
-

- How do you support staff understanding their individual responsibilities?

## 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
  - [Data Scoring Guidance](#)
-

- TPR Data Measuring [Guidance](#)
- **Survivor benefits – Court Judgments**
- [‘Brewster’](#) – Nomination of cohabiting partner
- [Walker](#) – Same Sex marriage / Civil Partner Survivors pension

## £95k Exit Cap

- Consultation now [open](#) – runs to 3 July 2019
-

- Enhanced Commutation
- Authority initiated early retirement

Guidance for green book staff who are members of the Local Government Pension Scheme (LGPS) is available in the [LGPS library](#)

Guidance for the Fire Pension Scheme is available [here](#)

## Are you dashboard ready?

- A platform to allow savers to view all their pension pots through a single portal.
-

- DWP have [consulted](#) on dashboards. To be compulsory but public sector expected not to join for 3 / 4 years.
- LGA [response](#) to consultation
- Further information can be found on <https://pensionsdashboardproject.uk/>

[Data: Pensions in a digital era](#) See the slides from [DWP](#) and [Aquila Heywood](#)

	Total
Number of pensioners	41,731
Total deferred members	12,161



## What we know

### Firefighters' Pension Schemes Regulations and Guidance

Source:

[Welcome](#)
[Regulations](#)
[Bulletins and Circulars](#)
[GAD Guidance](#)
[Administration Resources](#)
[Legal Landscape](#)
[Contact Us](#)
[Search](#)



[www.fprsregs.org/](http://www.fprsregs.org/)

**££** Member contributions: 8.5% to 17% of pay  
 Employer contributions: 14.3% to 21.7% of pay

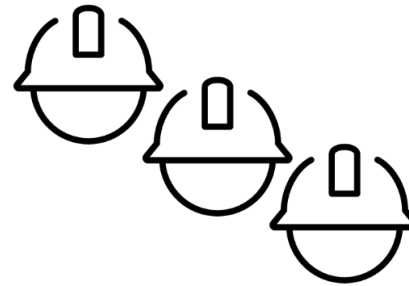
## What we don't know

How much are scheme management costs?

Active regular members	22,944
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Active retained members	8,440
-------------------------	-------

Source: Home Office, Fire statistics Table 1304



45 Fire authorities

How effective is scheme administration?

# The purpose of the review



How effective is scheme administration?

- Do members receive a good service?
- Are the right benefits paid at the right time?
- Implicit costs
- “Extra” costs



Are there any themes / patterns?



Could anything be done differently/better?

**No preconceptions, no naming and shaming**

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What are the costs of running the scheme?

- Explicit costs



## Question 4

- Do you have any tax challenges?
  - Who leads your approach to communicating to members?
  - Confident actions are taken appropriately following amendment orders?
-

# **WOULD YOU DO ANYTHING DIFFERENTLY FOLLOWING TRAINING?**

# Pensionable Pay



# Pensionable Pay Resources

- AGM 2018 – [Pensionable Pay Slides](#)
- Booth V Mid and West Wales [Factsheet](#)
- Bulletins [Topic List](#) 'Pay'
- Pensionable Pay Regulations

**FPS 1992**

[G1](#)

**FPS 2006**

[Part 11, Chapter 1, 1 & 2](#)

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FPS 2015

17

## Case Law

- Kent and Medway Towns Fire Authority v Pensions Ombudsman and anor, [2001] OPLR 357
  - Norman v Cheshire Fire & Rescue Service, [2011] EWHC 3305 (QB)
  - Booth v MWWFRA [2019] EWHC 790
-



## TPO Judgments

- Mr Michael Smith v South Wales Fire & Rescue Service, [PO-3511](#) (2014)
  - Mr N v West Yorkshire Fire and Rescue Authority, [PO-11867](#) (2017)
  - Mr A v Warwickshire Fire and Rescue Authority, [PO-15584](#) (2018)
-

# Booth v Mid and West Wales

Pensionable Element	Scheme	TPO	High Court
Training Allowance	1992	Pensionable	Pensionable as part of <u>permanent</u> role
Day Crewing	2006 & 2015	Not pensionable	Pensionable
Self-Rostered Crewing	2006 & 2015	Not pensionable	Pensionable
USAR	2006 & 2015	Pensionable	Not pensionable based on role <u>and</u> permanency status

- It is a matter for each FRA to determine what is and isn't pensionable taking into account
-

their contractual arrangements, the regulations and all relevant case law.

- When making any pensionable pay decision, the reasoning for that decision and what case law has been considered should be documented

## Why is it not clear?

- The Firefighters Pension Scheme 1992 requires pay to be determined in relation to the 'performance of the
-

duties of the role’. Under case law (Blackburne) there has to be an **‘element of permanency’**.

- The Firefighters Pension Scheme 2006 and the Firefighters Pension Scheme 2015, which are virtually identical, requires pay to be determined in relation to the performance of the duties of the role but in addition the the regulations specifically exclude an **‘allowance or emoluments paid on a temporary basis’**.
-

## Blackburne Principles

- Calculated in accordance with ordinary rate of pay
  - For work done under the Firefighters contract of employment
  - Regular in nature, i.e. something to which the firefighter was entitled in the ordinary course of fulfilling duties under the contract, not a one off or unexpected payment
-

What	Currently pensionable	1. Is it regular	2. Contractual	3. Payable at role rate	4. Fulfilling their duties	5. Permanent	Pensionable
ORP 10%	yes and no	yes	yes	yes	yes	yes	Pensionable
DCCC 5% RDS	NFPS only	yes	yes	yes	yes	yes	Pensionable
DCCC 22% close call	no	yes	yes	yes	yes	yes	Pensionable
DCCC 2% flexi working	no	yes	yes	yes	yes	yes	Pensionable
AM duty system	yes and no	yes	yes	yes	yes	yes	Pensionable
ARA	no	yes	yes	yes	no	no	no
Training ARA	no	yes	yes	yes	yes	yes	Pensionable
Training Duty system	no	yes	yes	yes	yes	yes	Pensionable
CPD	APB	yes	yes	yes	yes	no	no
Additional Weekend Working	no	no	yes	yes	yes	no	no
AWW Extra	no	no	no	yes	no	no	no
Pre-Arranged Overtime	no	no	no	yes	no	no	no
Lease car	no	no	yes	no	yes	yes	no
Recall to duty	no	no	yes	yes	no	no	no
Temporary promotion	no	yes	yes	yes	yes	no	no
Acting up	no	no	yes	yes	yes	no	no
Bank Holiday	no	no	yes	yes	yes	no	no

# So what is temporary

- We don't know, the scheme rules do not define this!
  - Paragraph 9
  - “I have come to the conclusion that “permanent” in these statutory provisions does not signify pay or emoluments that must endure to the end of the employment. I consider that what is meant by “permanent” is pay other than allowances or emoluments that are **temporary in the sense of being occasional, one-off, irregular or for a limited period of time only**. The words “permanent” and “temporary” have to be construed in context. Employment as a firefighter is generally employment for the whole or majority of a member’s working life. It is not employment for a fixed term. Over a working lifetime, the way in which a firefighter’s role is performed can change frequently; the circumstances and conditions are not ossified at the outset of employment so as to endure for its duration. To suggest that only allowances and emoluments that will endure for the whole of the member’s employment are pensionable seems to me to be unrealistic and a
-

class devoid of content. On the other hand, it is entirely **sensible and realistic to exclude from pensionable pay any emoluments that are occasional, oneoff, irregular or limited in time.**”

# Is your decision making like this?

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**Duty System / Allowance**

**Flexibility ✓**

**Savings ✓**

**Matzak ✓**

**Risk / Demand ✓**

**Pensionable Pay**

# Or Like this

**Duty System / Allowance**

**Flexibility ✓**

**Savings ✓**

**Matzak ✓**

**Risk / Demand ✓**

**Pensionable? ✓**

**Pensionable Pay**

## Further advice coming...

- Retrospective action: The aim of the note is to produce a guidance note for FRAs on best practice in terms of dealing with past and any future pensionable pay cases.
  - Temporary Promotion: This note will consider the issue of temporary promotions and secondments in terms the impact this has on pensionable pay and eligibility for scheme membership.
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## Recent Scheme News

**Employer contributions to rise by 9.6%!**

**Cost Cap breached, member benefits to be improved**

**Firefighters win pension discrimination case**

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# 2016 Valuation Results

September  
2018

- Draft results
- Consultation with SAB

2019 published

15 February

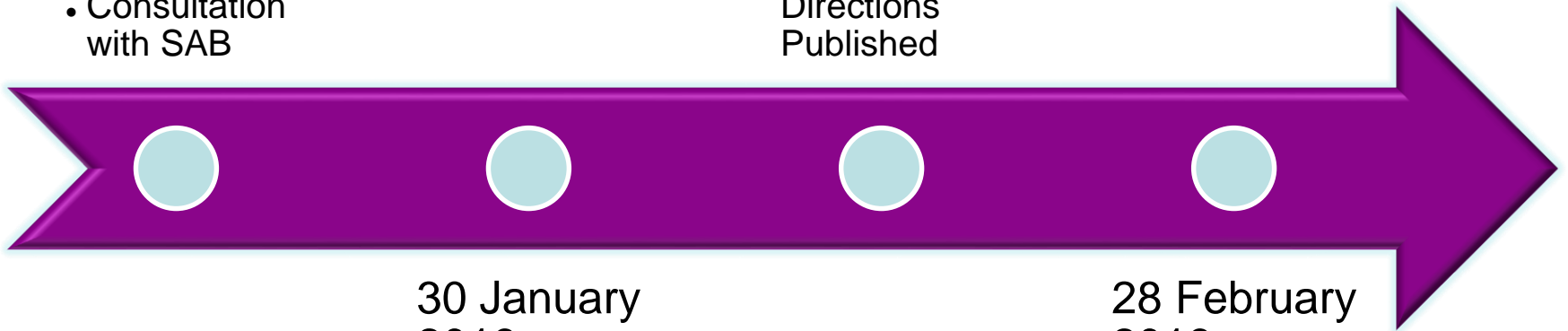
- Treasury Directions Published

30 January  
2019

- Written Ministerial Statement

28 February  
2019

- Valuation published



# Employer Contributions

- Employer Contribution Rates increased

	1992	2006	2015	Average
2012	25.5%	16.8%	14.3%	18.7%
2016	<b>29.3%</b>	<b>26.6%</b>	<b>27.3%</b>	<b>28.3%</b>



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## Firefighters' Pension Scheme Valuation

### 2016 Valuation - Employer contribution rate

- > The output of the 2016 valuation will be an updated employer contribution rate
- > Expected to apply from April 2019 to March 2023 >

Will allow for:

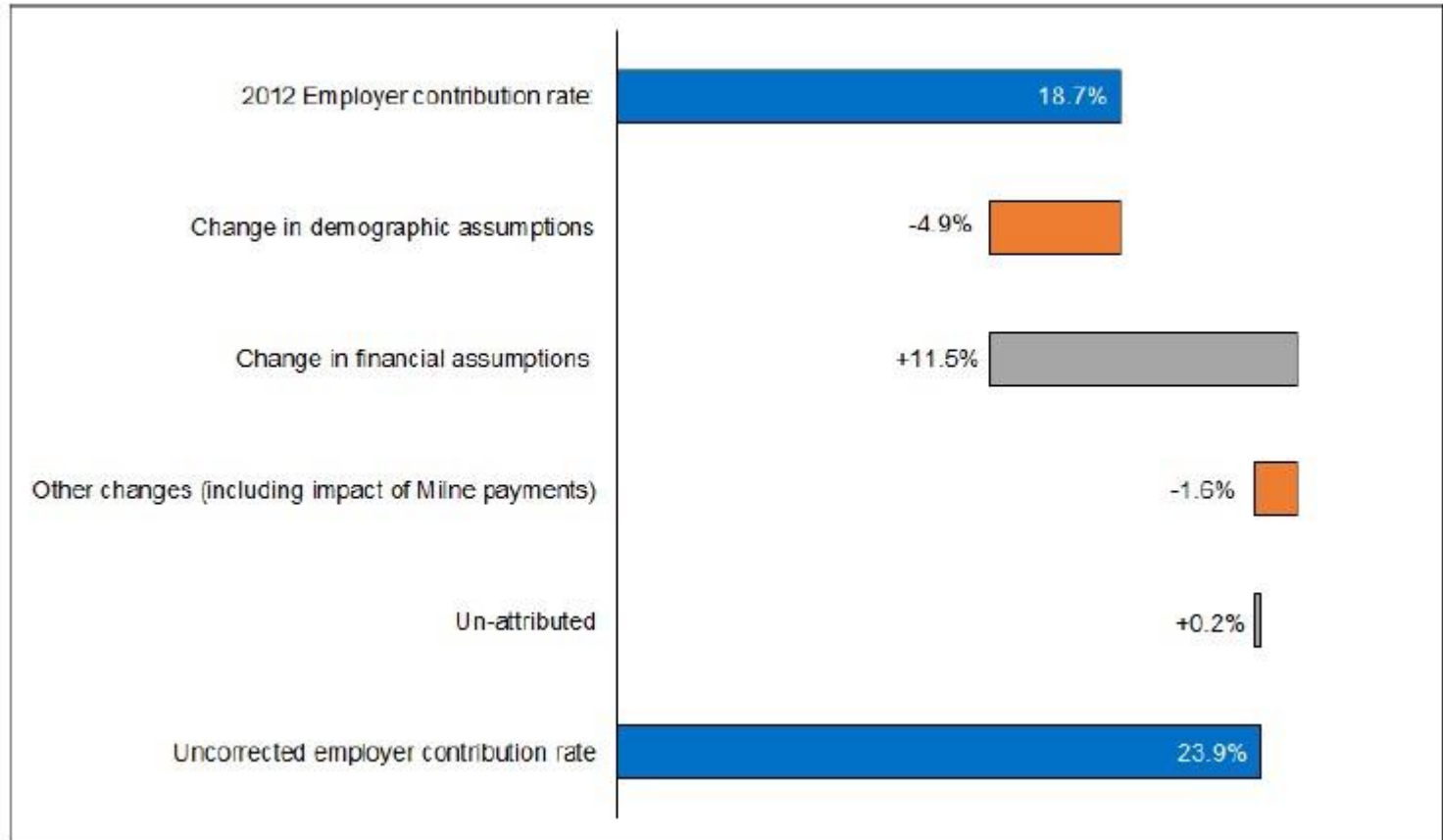
- > Change to the interest rate (the SCAPE rate)
  - > Changes to salary growth, and other financial assumptions, set by HMT
  - > Latest mortality projections by ONS
-

- > Impact of recent membership movements
- > Changes to fire specific assumptions to adjust for recent experience in the Fire Scheme, eg retirement patterns, life expectancies

Government Actuary's Department [www.gov.uk/gad](http://www.gov.uk/gad) Source: Slide 18 Fire Pensions



# Employer Contributions – Main Impact



## Chart 2.1



# SCAPE Discount Rate

- Budget 2016, discount rate reduced from 3% to 2.8%
- Budget 2018 reduces to 2.4% from 1 April 2019

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# Cost Cap Cost

- The employer cost cap target of 17.1% was calculated at 12.3% for 2016, which triggers the mechanism for improvement.



Government  
Actuary's  
Department

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## Firefighters' Pension Scheme Valuation

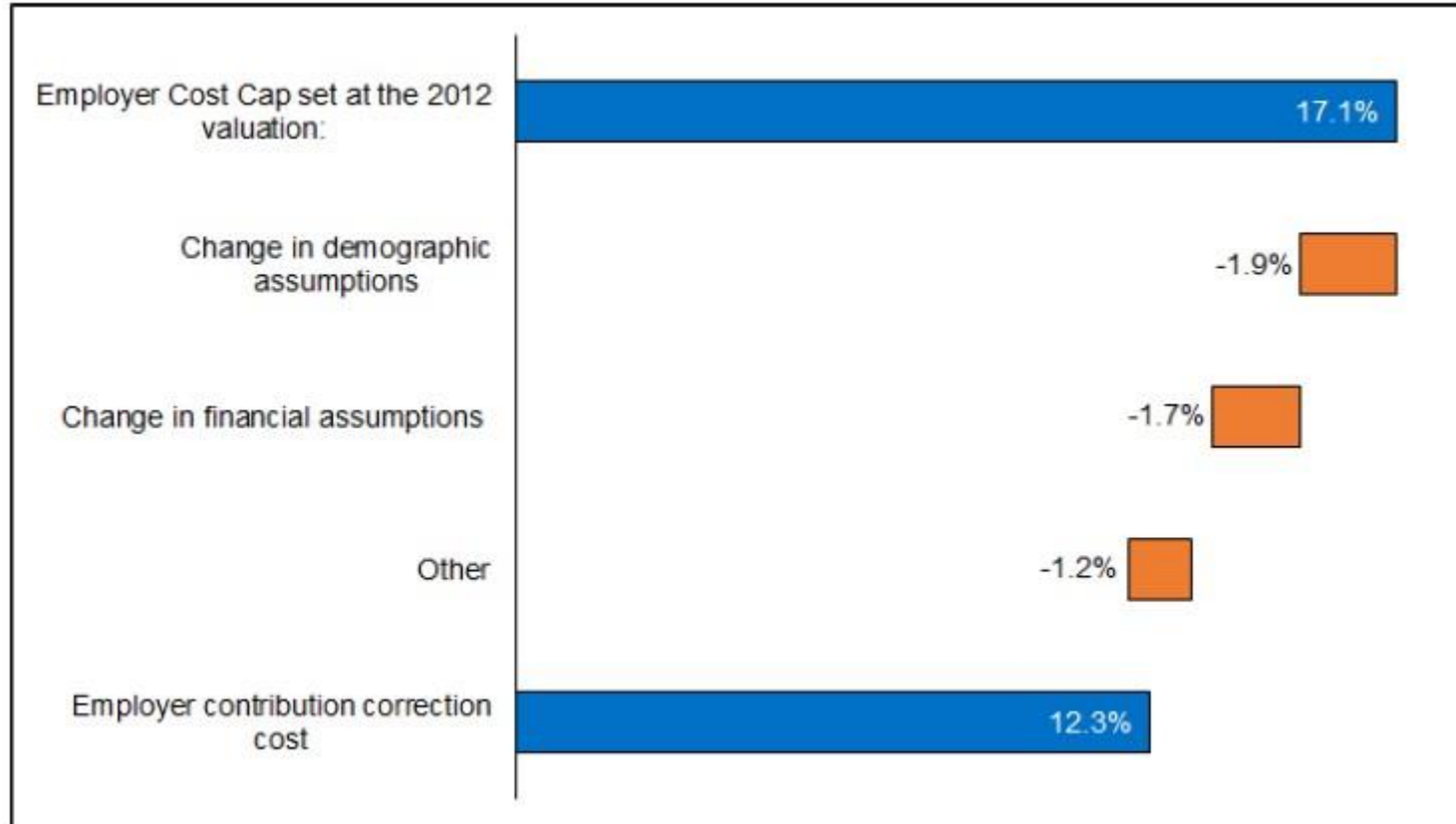
### Cost cap mechanism

> What is it?

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- > A cost control mechanism introduced by HMT
- > To maintain the cost of the fire scheme at a similar level to when the 2015 Scheme was introduced > Monitored at each actuarial valuation > **How is it expressed?**
  - > A baseline cost was established at the 2012 valuation being **16.8%** of pensionable pay.
  - > Equates to the employer's share of the cost of the 2015 Scheme
- > **Calculated in a different way to the employer contribution rate**
  - > Assumes all active members are in the 2015 scheme

# Cost Cap Results – Main Impacts



## Chart 2.4

# Cost Cap Process

- FPS Wales Scheme Advisory Board consulted on changes to the scheme design for the 2015 scheme to align member costs to the target cost cap of 17.1%
  - The default mechanism if agreement cannot be reached is to change the accrual rate of the scheme, the **indicative** rate of this accrual rate change would be 1/53.1
  - [Written Ministerial Statement](#) on 30 January 2019 pauses the cost cap process
-

# Accrual Rates

Country	Accrual Rate	Pension Build Up (Per annum)	Potential Accrual Rate Change	Potential Pension Build Up (Per annum)
Wales	1/61.4	£582.00	1/53.1	£672.98
England	1/59.7	£598.73	1/51.2	£697.95
Scotland	1/61.6	£580.11	1/52.6	£679.37
Northern Ireland	1/64.8	£551.47	1/57.1	£625.83

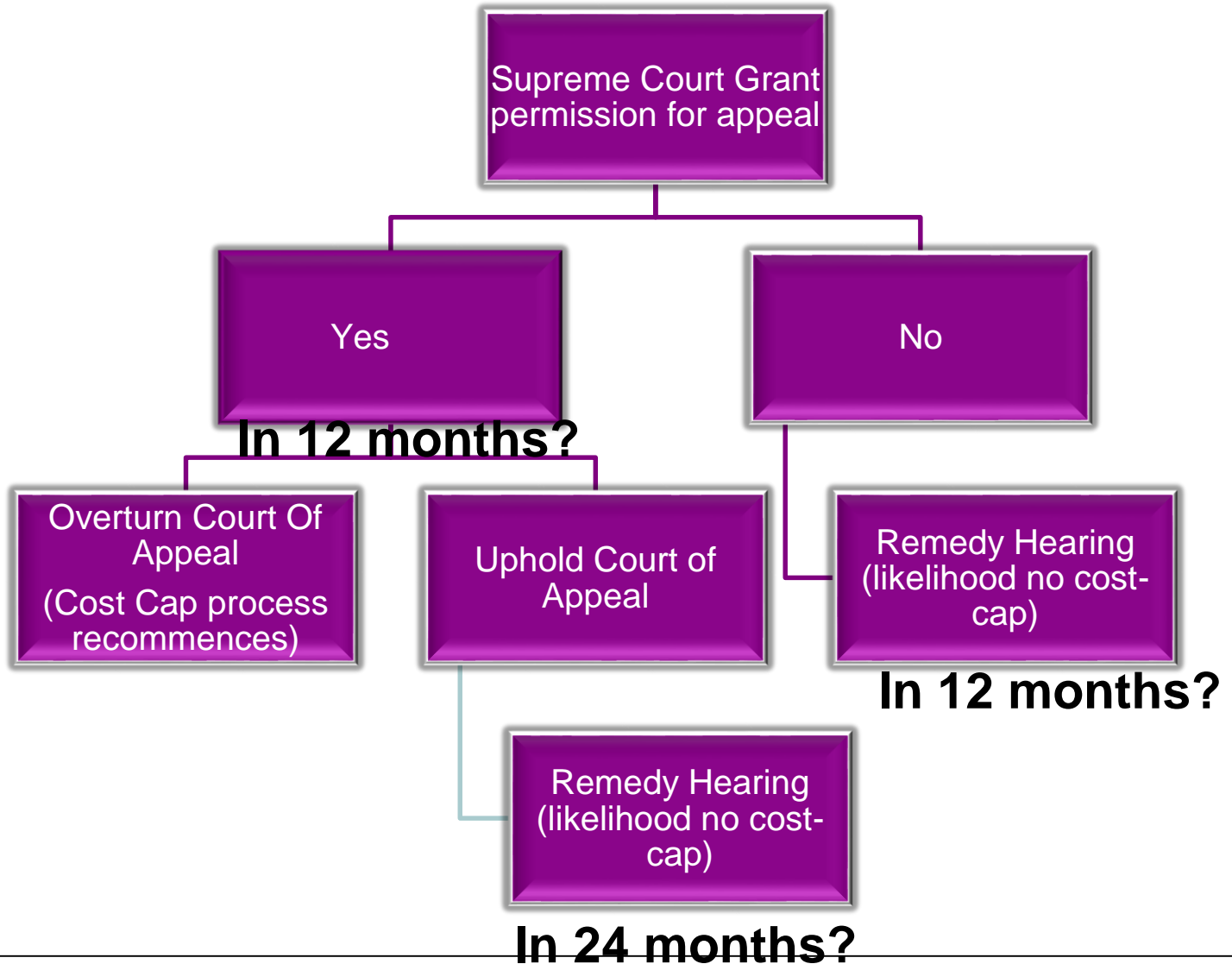
Paused



## The transitional protections challenge

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

	ET		ETA		Appeals	
	Judges	Fire	Fire	Judges	Fire	Judges
Legitimate aim	No	Yes	Yes	No	No	No
Proportionate means	No	Yes	Needs to be retested under UK law	No	No	No



- The case is on the transitional provisions of the 2015 scheme.
  - It is these provisions that allowed certain members by virtue of age to have benefits calculated under the 1992 scheme
-

- The primary legislation which restricts the continuing provision of final salary schemes has not been challenged

## Remedy

1. How should the transitional provisions be made lawful going forward?
-

2. How do you compensate taper protected and unprotected members who have been subject to those provisions since 1<sup>st</sup> April 2015

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# Session Three

## Pension Board

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# The road to governance

Hutton  
Report

PSPA 2013

TPR

Fire  
Regulations

## Section 5 – Pension Board

requires and defines a Pension Board:-

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- (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*

## 5 : Pension Board Establishment

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Requires establishment of board to assist the scheme manager

- [1(a)] to Secure compliance with :-
  - Scheme regulations and any other relevant legislation
  - Pension Regulator's codes of practice, etc
- [1(b)] to ensure effective and efficient local governance and administration of this scheme and any connected scheme

## **Board Members Responsibilities**

- Notify Scheme Managers of Conflict of Interest
  - Keep Code of Conduct
  - Comply with TPR Code of Practice
-

- Report Breaches of Law
- Gain knowledge and Understanding
- Assist Scheme Manager

## **Pension board assistance**

- Compliance of duties under the regulations and relevant legislation
  - 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

## **Nobody told us!**

- Drop in pay triggering two pension entitlement
  - Temporary Promotion pensionable under a discretionary APB only
  - Transition to 2015 scheme (Ill-Health)
  - Re-employed with another Fire Authority
-

- Eligibility of the scheme [Eligibility Factsheet](#)
- How to determine pensionable pay
- Special members of the 2006 scheme

## Internal Dispute Resolution

- Guidance in [FPSC 1/2009](#) and [Bulletin 9](#)
1. First stage considered by Chief Fire Officer or a delegated senior manager (six months)
-

2. Second stage considered by elected members (six months)

## **Administration**

- How are SLAs set?
- Are roles and responsibilities clear
- What services does the administrator offer?
- Regular meetings

## **Breaches of the Law**

- Who should report
-

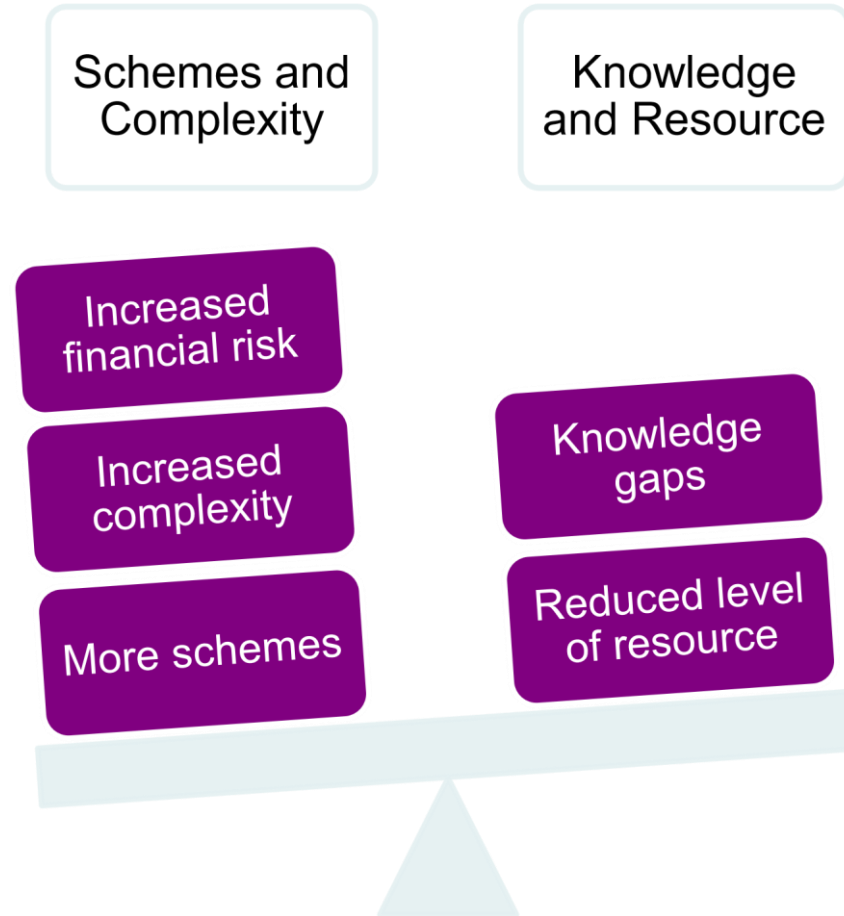
- Managers of the scheme
- Pension board members
- Administrators
- Employers
- Professional Advisers
- Those involved in advising the scheme manager

**TPR Guidance**

**SAB Breach Assessment Guidance**

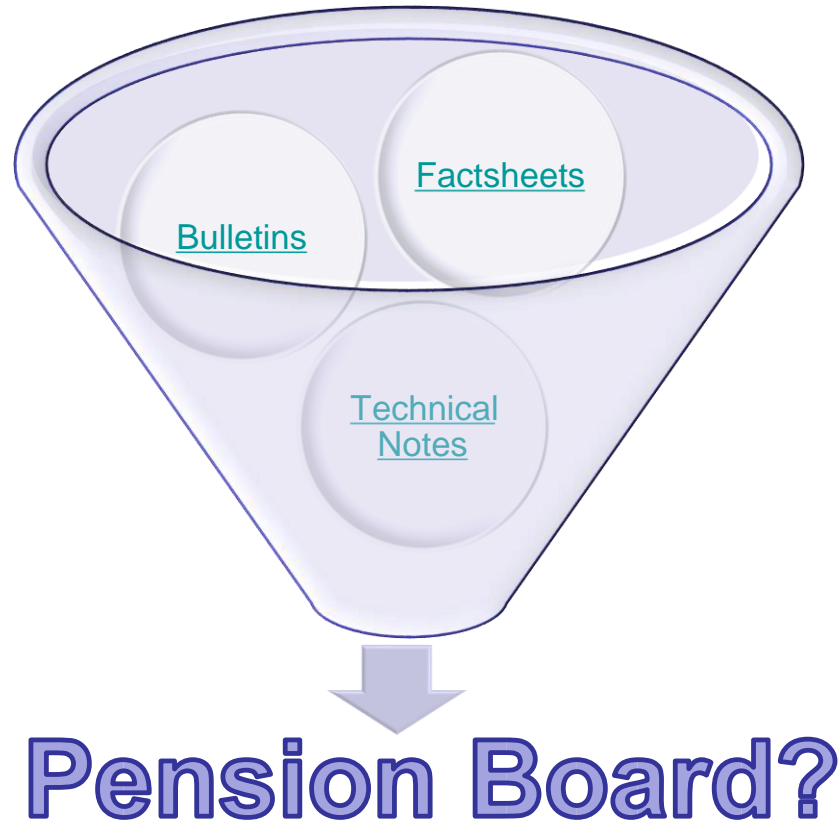
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# Getting the right balance





# Actions



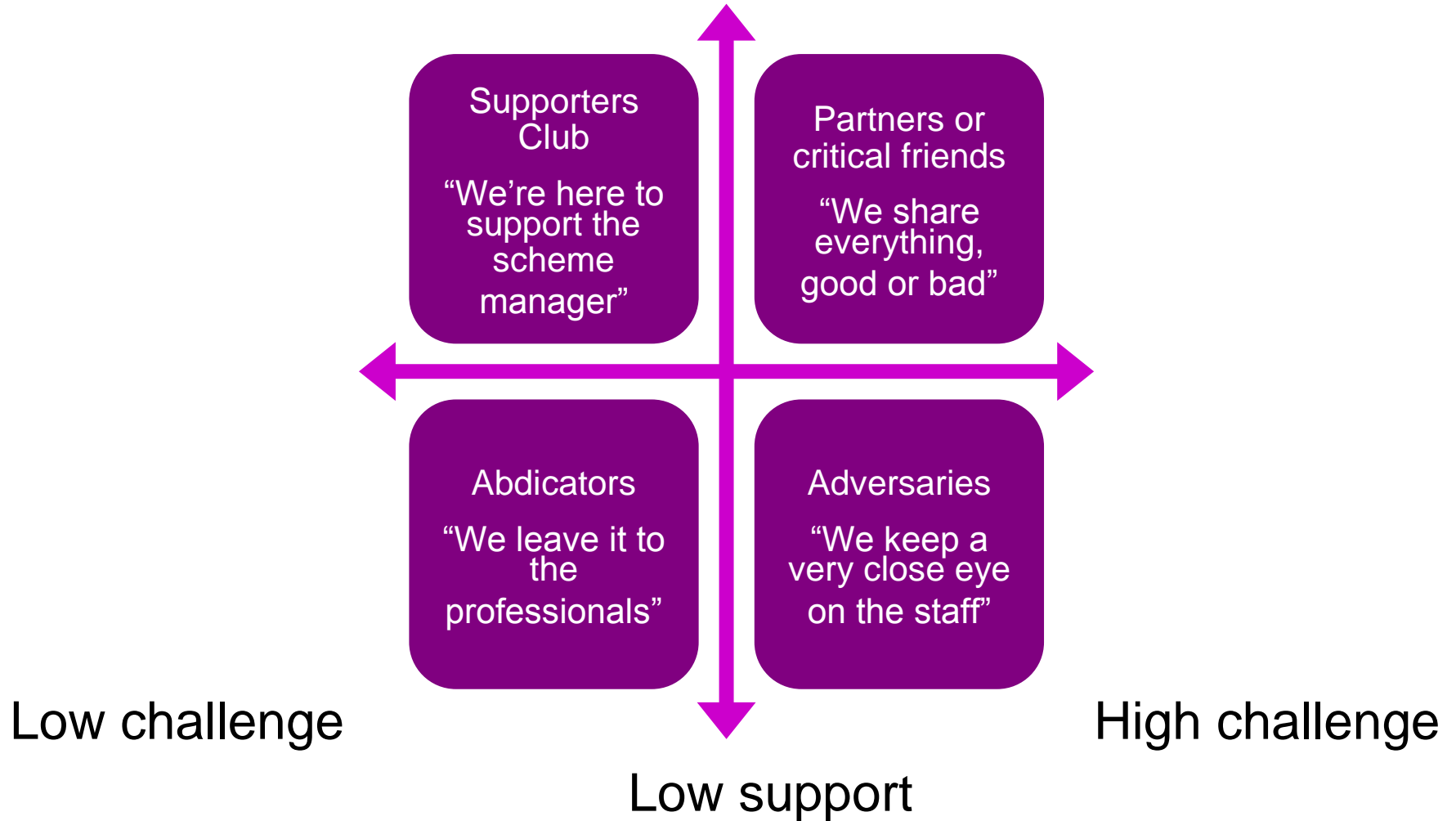
Pension Board?

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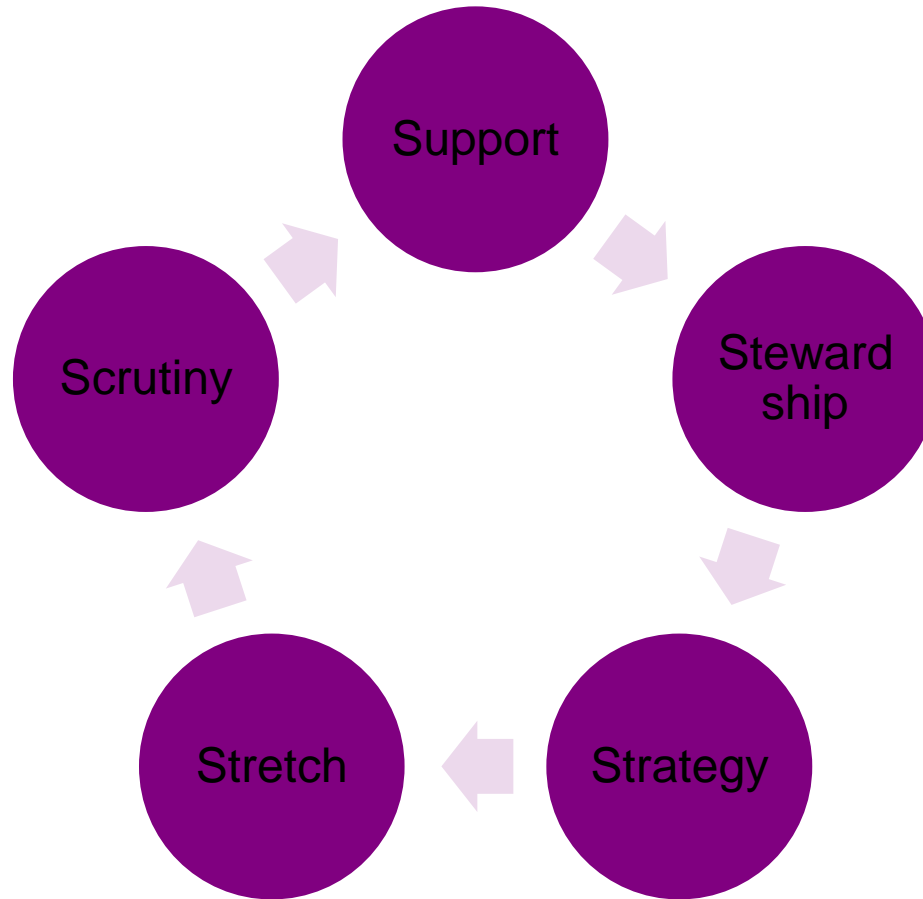
# Behaviours of a high performing board

High support

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# The five S's in governance



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## Julia Unwin: The 5S's in Governance

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## Support

- To encourage the scheme manager, boards in support say;
  - Have you got what you need to do that?
  - We ought to celebrate that?

## Stewardship

- To protect and conserve their assets; boards guarding access to knowledge and a good name say;
-

- Will we still have the knowledge in five years time?
- If a resource was removed would a risk be introduced?

## Strategy

- Before making big decisions, boards listen to what others have to say, they consult experts and their stakeholders, and then say;
    - Where could we be in five years time?
    - What do we want to achieve?
-

## Stretch

- To challenge and improve an organisation, boards that are stretching say;
  - How can we improve?
  - Have we thought of doing it differently?

## Scrutiny

- To assist the scheme manager by ensuring compliance with regulations, boards that are scrutinising or examining processes say;
-





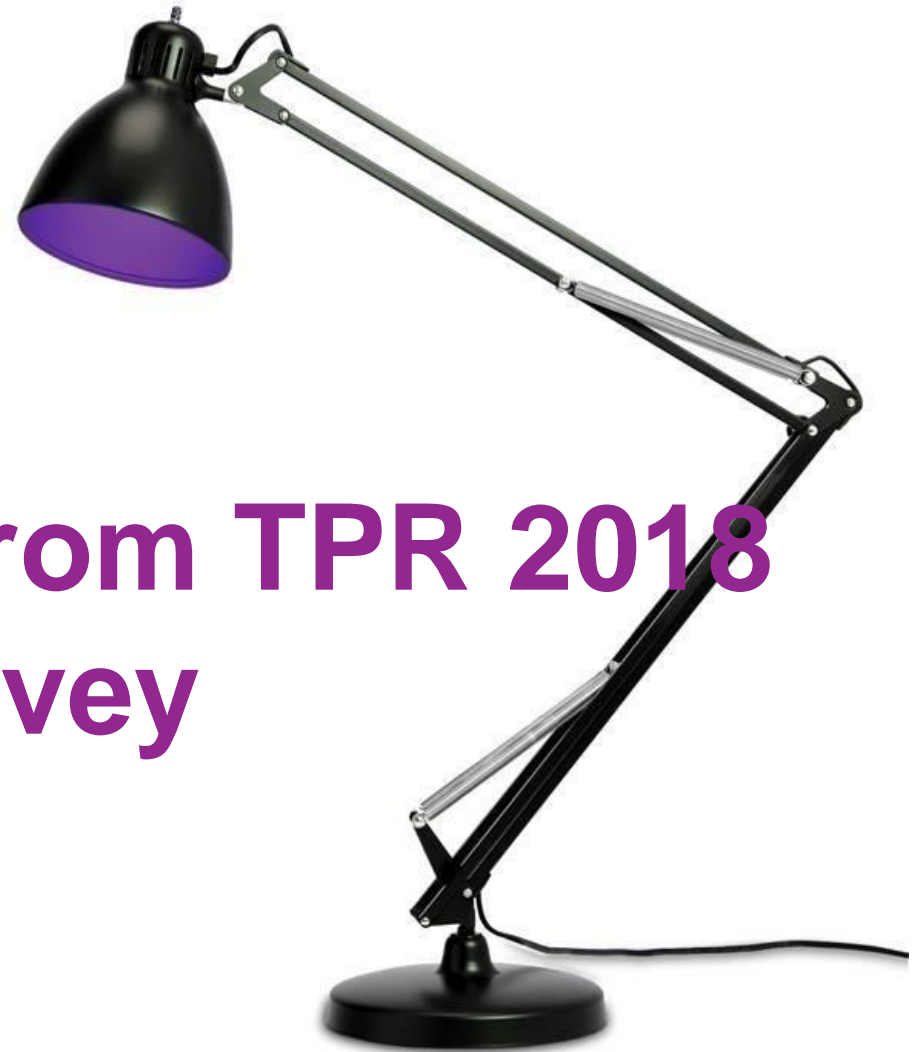
- What alternatives did you consider and why?
- What regulations or case-law did you use to make your decision and why?
- Have you followed guidance
- What is someone else doing?

## Question 5

- Are you comfortable that you assist the scheme manager
  
  - Do you report to the scheme manager
-

- Are the right processes in place?
  - Are you confident that risks are managed?
-

# Key themes from TPR 2018 Survey



# Key processes

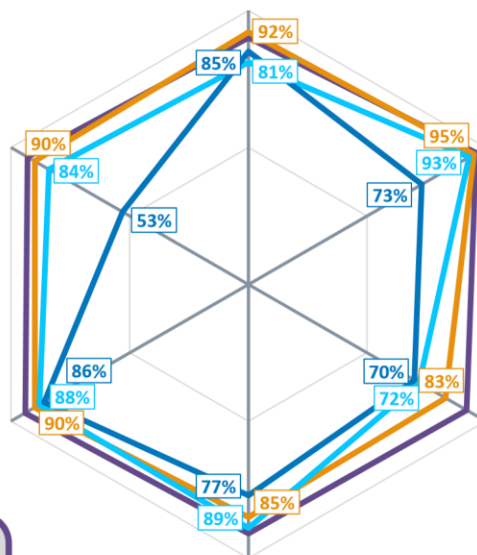


**93%** have procedures to identify, assess & report breaches of the law  
(+3% from 2017)

**94%** have process for resolving contribution payment issues\*  
(+4% from 2017)

**74%** of schemes had all of these processes in place (+16% from 2017)  
These schemes covered **75%** of all memberships

**90%** have documented policy to manage



**96%** have access to knowledge, understanding & skills needed to properly run scheme  
(+1% from 2017)

**92%** have documented procedures for assessing & managing risks  
(+9% from 2017)

**91%** have processes to monitor records for accuracy/completeness  
(+6% from 2017)

board members' conflicts of interest (-2% from 2017)

\* In 2015-2017 this question included "and assessing whether to report payment failures to TPR" - so not directly comparable  
Base: All respondents (195)

PSPS performance has improved since 2017 for four of the key processes, and three-quarters of schemes now have all of them in place (63% in fire schemes)

# Firefighters key notes

- **Only 63% have all 6 key processes in place, but this is still a significant improvement (41% in 2017)**
- Increases in proportion with risk register (+18%) and procedures for assessing/managing risks (+17%)
- Least likely to have cyber controls in place (85%), but 48% experienced attacks/breaches and a third of these reported a negative impact
- 78% met ABS deadline for all active members – but only 11% of those missing deadline reported it to TPR
- While 17% identified non-ABS breaches of law, only 2% reported these to TPR

## Assessing & managing risk

### Proportion of schemes that...

	All Schemes	Firefighters
Have documented procedures for assessing and managing risk	92% (+9%)	80% (+17%)
Have a risk register	94% (+6%)	87% (+18%)
Have reviewed the scheme's exposure to new and existing risks <u>at least every quarter</u> (in the last 12 months)	52% (+3%)	24% (-11%)

## Pension board meetings in the last 12 months

		Fire-fighters	All schemes
<b>Scheduled to take place</b>	Mean	3.0	3.6
	4+ in last year	41%	64%
<b>Actually took place</b>	Mean	2.5	3.4
	4+ in last year	20%	50%
<b>Attended by scheme manager or representative</b>	Mean	2.3	3.1
	4+ in last year	17%	46%
<b>% of scheduled meetings that took place (mean)</b>		<b>85%</b>	<b>93%</b>

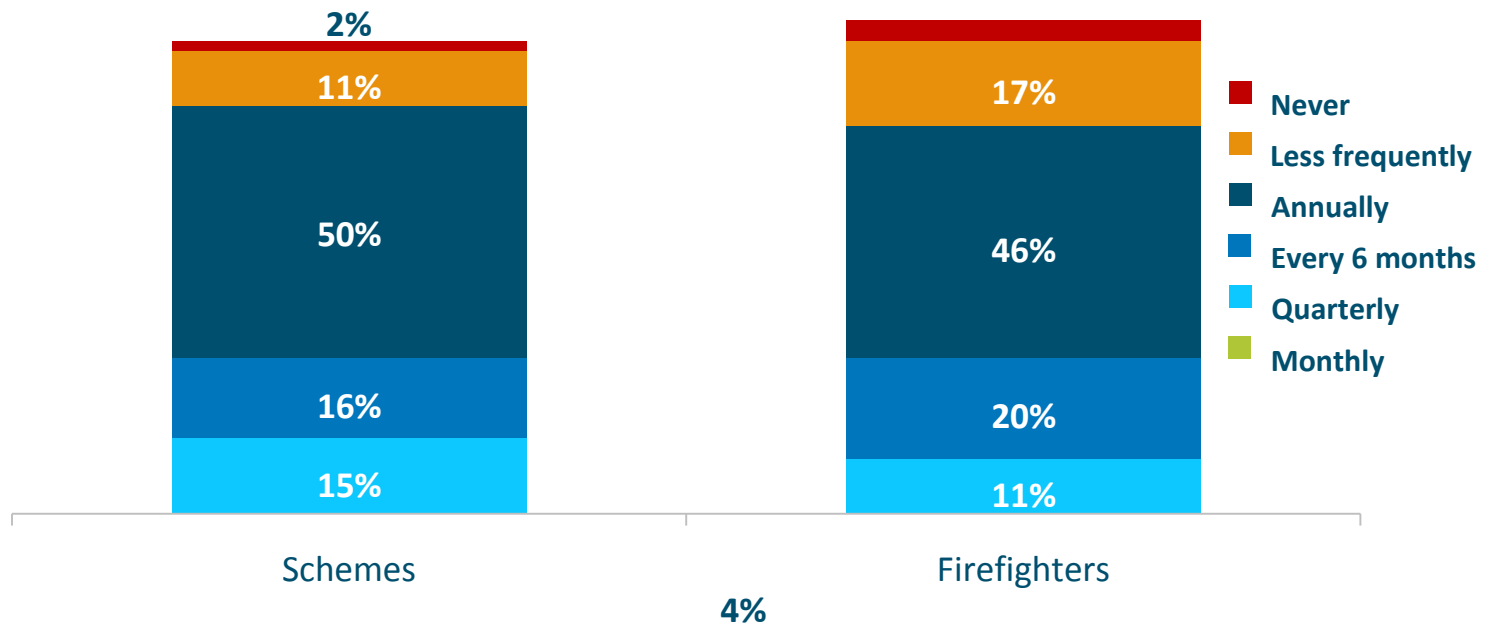


<b>% of meetings taking place attended by scheme manager/representative (mean)</b>	<b>89%</b>	<b>93%</b>
--	------------	------------

Firefighters' schemes held board meetings less regularly than other scheme types, with an average of 2.5 in the last 12 months (and only 20% had 4 or more)

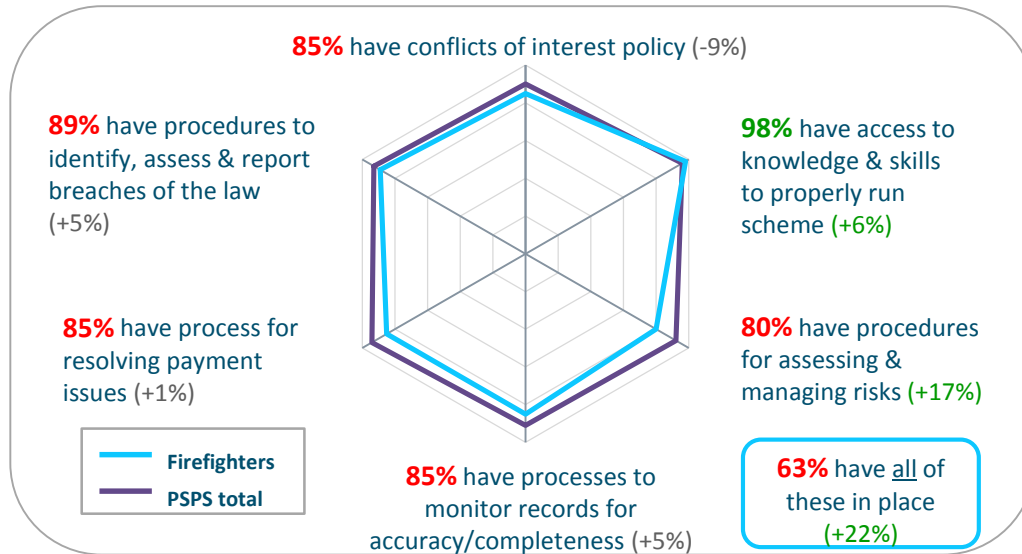
## Evaluating the pension board

**How often does the scheme manager or pension board carry out an evaluation of the knowledge, understanding and skills of the board as a whole in relation to running the scheme?**



Green/red figures indicate result is higher/lower than PS total (any difference)  
 Bracketed figures on chart refer to % change from 2017 survey (statistically significant changes highlighted green/red)

## Firefighters schemes



### Scheme governance

- 87%** believe scheme manager/board have sufficient time & resources to run scheme properly had at least 4 board meetings in last 12 months
- 20%** of board meetings were attended by scheme manager or their representative (mean)
- 89%** of board meetings were attended by scheme manager or their representative (mean)

### Annual benefit statements


- 78%** report that **all** active members received ABS on time
- 11%** of those missing ABS deadline reported it to TPR
- 93%** report that **all** ABS sent out contained all the data required

## Internal controls

- 87%** of schemes have a risk register
- 24%** reviewed exposure to new & existing risks at least quarterly
- 85%** have any cyber risk controls
- 17%** identified breaches of the law in last 12 months (vs. 30% overall)\*
- 2%** reported any breaches to TPR in last 12 months (vs. 11% overall)\*

*\* Excludes BoL relating to ABS*

## Data & record keeping



**83%** of schemes report that 90%+ of employers provide **timely** data

**76%** report that 90%+ of employers provide **accurate & complete** data

**78%** have completed a data review in last 12 months

**73%** of those reviewing common data identified issues

**79%** of those reviewing scheme-specific data

identified issues



## Question 6

- Is there an appropriate focus on data to satisfy TPR?
  - Have you reviewed your frequency of meetings?
-



- Do you have all of the six TPR processes in place?

## Question 6 contd....

- Do you have the appropriate internal controls
  - Do you understand the procedure for reporting and recording breaches?
-

# **WOULD YOU DO ANYTHING DIFFERENTLY FOLLOWING TRAINING?**

---



# 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

**Regular assessment?**

# Risk is a driver for improvement



# TPR Assessment Tool

## Results

### Using this report

In this report we have provided an indicative risk rating for each answer you selected, alongside some guidance and links to additional information. This report does not provide an assessment of compliance with the law – it indicates areas that might be of particular concern and where you may wish to focus. You should seek legal advice where required.

To minimise the risk of non-compliance with the law, you should conduct a comprehensive review of your scheme against the requirements set out in the legislation and the guidance provided in our code of practice. Statistics refer to findings from TPR's 2015 survey into the Governance and Administration of Public Service Schemes.

### A summary of your results



Percentage of questions answered: **88%**



Percentage of questions answered: **17%**



Percentage of questions answered: **13%**

# How are you doing?

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

## TPR quick guides

- Record keeping [link](#)
-

- Improving your data [link](#)
  - Measuring your data [link](#) **What's on your agendas?**
-

## Recommended Agenda items

- Latest bulletin
  - Events
  - Survey responses
  - Consideration of Breaches
  - Scheme Manager Report
  - Updates on
    - Data Improvement
    - 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**
-



## Question 7

- Perform an annual assessment
  - Have you reviewed your Terms of Reference recently? Are you comfortable with terms, positions and frequency. Examples of ToRs [here](#)
  - Annual workplan based on assessment
  - Have the right relationship with scheme manager -regular reports, catch ups?
-





**WOULD YOU DO ANYTHING DIFFERENTLY  
FOLLOWING TRAINING?**

**Any questions**



# Resources

- [www.fpsboard.org](http://www.fpsboard.org)
  - [www.fpsregs.org](http://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
-

## ➤ 2019 Events and training

<b>Data: Pensions in a digital era</b>	<b>3 April 2019</b> ✓
<b>Joint Governance Conference with Police Pensions</b>	<b>15 May 2019</b> ✓
<b>Local Pension Board Wrap Up Training</b>	<b>18 June 2019</b> ✓
<b>Ill-Health Workshop</b>	<b>19 June 2019</b> ✓
<b>Pensionable Pay Workshop</b>	<b>18 July 2019</b>
<b>AGM</b>	<b>24 &amp; 25 September 2019</b>
<b>Tax</b>	<b>12 November 2019</b>

**For booking links when available see [here](#)**

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- **Readers should take their own legal advice on the interpretation of any particular piece of legislation.**
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# Thank you for listening

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