



**SHROPSHIRE COUNTY  
PENSION FUND**

# **Fire Pension Board Training**

## **Friday 22<sup>nd</sup> January 2016**

**Vicky Jenks – Senior Pension Officer**  
**Rebecca Purfit – Pension Communications Officer**

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# Agenda for this morning

## **Overview of the schemes and Regulations:**

- Brief introduction to Shropshire County Pension Fund
- Membership data (Shropshire Specific)
- Schemes administered
- Benefit structure of schemes
- Benefit Options for each Scheme
- Admin responsibilities – membership record maintenance
- Other functions – reporting/ Contract responsibilities

## **Administration of the Firefighters' Pension Scheme including Governance:**

- The Legislative Framework
- Structure and Governance of Fire Scheme
- Roles, responsibilities and decision making
- The Pensions Regulator Code of Practice
  - Recent survey results and 2016 administration focus
- Breaches

# This morning we aim to..

- Improve your knowledge of the Firefighters Scheme Regulations
- Improve your knowledge of the Governance and Administration of the Firefighters Scheme

Broad overview – further training may be required as your role develops

# Overview of Pension Schemes and Regulations

Vicky Jenks  
Senior Pensions Officer

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# Shropshire County Pension Fund

- Shropshire County Pension Fund is part of Shropshire Council
- Shropshire County Pension Fund
  - administer the Local Government Pension Scheme
  - currently 3<sup>rd</sup> party Administrator for the Firefighter Pension Schemes
- Total Membership of the Local Government Scheme is over 46,000
- Total Membership of the Firefighter Pension Schemes' is around 900

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# The Pensions Fund Website



SHROPSHIRE COUNTY  
PENSION FUND

Taking care of your Local Government Pension in Shropshire

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FAQ's

Pension events

Pay date



Paying in



Left but no benefits  
paid



Benefits in payment



Thinking of joining?

## Latest News

- [The New State Pension and Removal of Contracting-Out](#) January 11, 2016
- [Pensions Newsletter January 2016](#) January 4, 2016
- [Pre-retirement Courses](#) December 23, 2015

## Quick Links

- [Forms and Guides](#)
- [Firefighter](#)
- [Changing your Details](#)

[www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

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# The Firefighter Pension Schemes

- 1992 scheme - closed to new entrants 6.4.2006
- 2006 scheme introduced 6.4.2006
- 2006 compensation scheme introduced 6.4.2006
- 2006 Modified Section introduced 1.4.2014
- 2015 Scheme introduced 1.4.2015

# FPS's Membership

	Active	Deferred	Pensioner	Dependants
1992	70	17	233	37
2006	39	124	26	1
2015	259	0	0	0

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# 2015 Scheme - Effect on membership

1992 Scheme	2006 Scheme
27% Protected	11% Protected
26% Tapered	5% Tapered
47% Unprotected	84% Unprotected

- By 2022 all tapered members will move into the 2015 scheme
- Communicated to all Firefighters

# Main Pension Legislation

- The Firefighters Pension Scheme 1992 - **FPS**
- The New Firefighters Pension Scheme 2006 -**NFPS**
- The Firefighters' Pension Scheme (England) Regulations 2014 – **2015 scheme**
- The Firefighters' Pension Scheme (England) (Transitional and Consequential Provisions) Regulations 2015
- The Firefighters' Pension Scheme (England) (Consequential Provisions) Regulations 2015
- The Firefighters' Compensation Scheme (England) Order 2006
- The Occupational Pension Schemes (Disclosure of Information) Regulations 1996

# Benefit Structure – Comparison of Schemes

Feature	FPS 1992	FPS 2006	FPS 2015	Modified
<b>Basis of pension</b>	Final Salary	Final Salary	(CARE)	Final Salary
<b>Accrual rate</b>	40/60 <sup>ths</sup> 1/60 <sup>th</sup> (2/60 <sup>th</sup> after 20 years)	1/60 <sup>th</sup>	1/59.7 <sup>th</sup>	1/45 <sup>th</sup>
<b>Benefit/ Membership Cap</b>	40/60 <sup>th</sup>	45 years	None	30 years
<b>Revaluation rate</b>	n/a	n/a	Average Weekly Earnings	n/a

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# Benefit Structure – Comparison of Schemes

Feature	FPS 1992	FPS 2006	FPS 2015	Modified
<b>Contribution Rate</b>	Tiered 2015/16 11.0%-17.0%	Tiered 2015/16 8.5%- 12.5%	Tiered 2015: 10.0%- 14.5%	Tiered 2015/16 11.0%- 17.0%
<b>Normal Pension Age</b>	55	60	60- subject to regular review Linked to State Pension Age	55
<b>Deferred Pension Age</b>	60	65	Linked to State Pension Age	60
<b>Lump sum option</b>	Age related commutation factors	Commute £1 of pensions for £12 lump sum	Commute £1 of pensions for £12 lump sum	Age related commutation factors

# Benefit Structure – Comparison of Schemes

Feature	FPS 1992	FPS 2006	FPS 2015	Modified
<b>Ill-Health Provision</b>	Banded on the length of service	Lower tier: 1/60 <sup>th</sup> accrued membership. Higher tier: basic plus enhancement	Lower tier: 1/59.7 <sup>th</sup> accrued membership Higher tier: basic plus enhancement	Lower tier: 1/60 <sup>th</sup> accrued membership Higher tier: basic plus enhancement
<b>Indexation of pension in payment</b>	Consumer Price index (CPI)	CPI	CPI	CPI
<b>Cohabiting partners pension</b>	No	Yes	Yes	Yes

# Benefit Structure – Comparison of Schemes

Feature	FPS 1992	FPS 2006	FPS 2015	Modified
Death in Service Death Grant	2 x pensionable pay	3 x pensionable pay	3 x pensionable pay	2 x pensionable pay
Death Grant where member dies within 5 years of retirement	No	Yes	Yes	Yes
Widow(er)s pension ceases on re-marriage	Yes	No	No	No

# But..... What Protections have been introduced?

- **Primary legislation**

- Section 18 of the Public Service Pensions Act 2013  
<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.

# Protections

- SI 2014/2848 - Schedule 2
- <http://www.legislation.gov.uk/uksi/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



# How is Protection determined

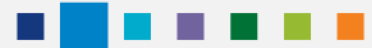
- **1992 Scheme members**
  - scheme members who at 1st April 2015 are 48 and over
- **2006 Scheme members**
  - scheme members who at 1st April 2015 are 53 and over
- **Modified Retained Firefighters**
  - Retained firefighters who have elected for modified benefits in the 2006 scheme, have a Normal Retirement Age of 55.
    - Contribution rates differ
  - Therefore these special members in the 2006 scheme will have protections on the 1992 scheme basis.
- **Tapered Protection**
  - 1992 scheme members or Special Retained Modified members who on 1 April 2012 are aged between 41 and 45 years
  - 2006 scheme members who on 1st April 2012 are aged between 46 and 50 years

# Benefit Options

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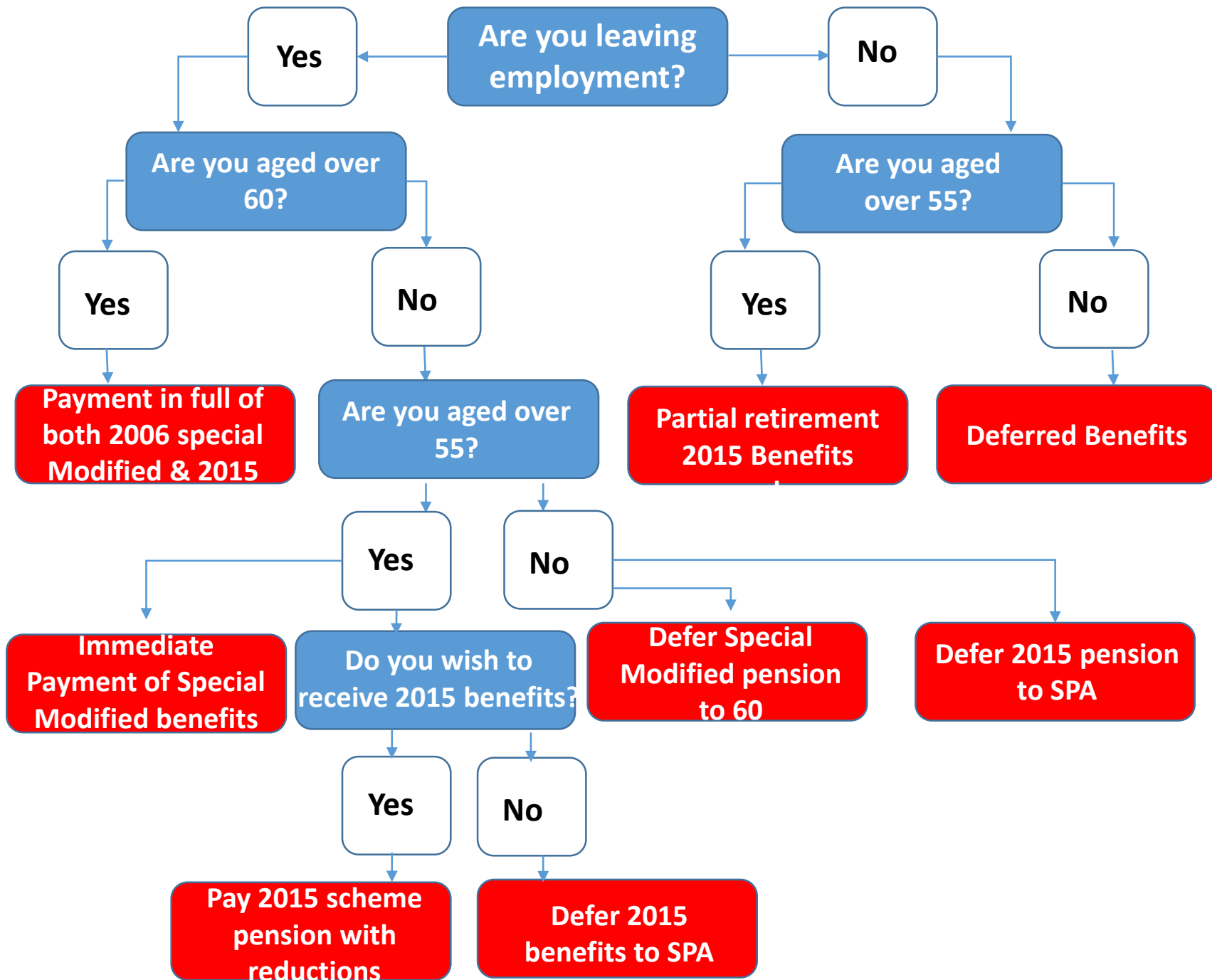
# Decision Tree for 1992 scheme



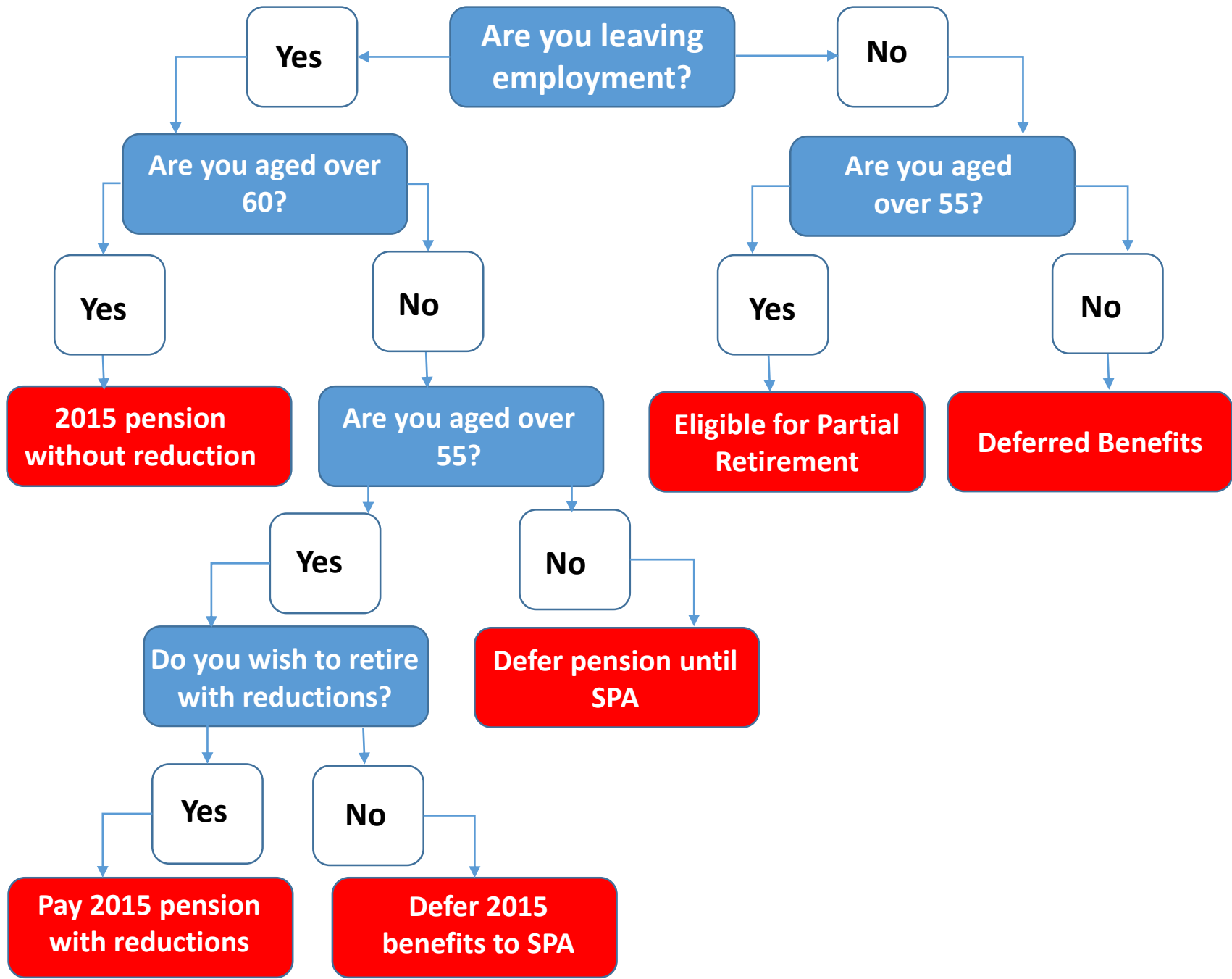
# Decision Tree for the 2006 scheme



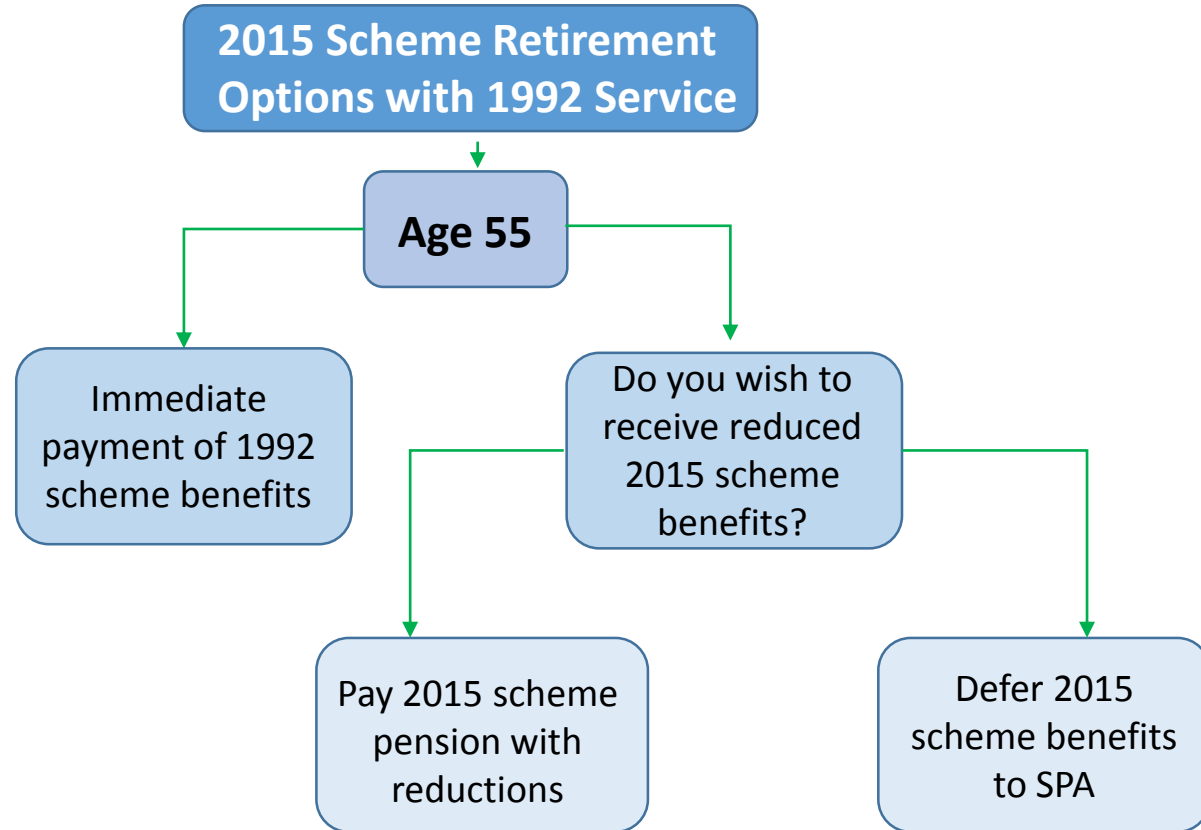
# Decision Tree for the Modified Scheme



# Decision Tree for the 2015 Scheme



# Benefits Options – an example



# Responsibilities of the administrator

## Pension Record Maintenance

- Update pension information in accordance with regulatory changes and provide electronic copies.
- Accurately record and update associated member records on pension admin system.
  - within four weeks or shorter period of notification from FA.

## Transfers In

- Apply for Transfer Value details - two weeks of receipt of all the relevant information
- Calculate the estimated benefits that a transfer value would buy - within 10 working days of receiving details
- Request payment of the transfer value - within 7 working days
- Confirm the actual benefits purchased by the transfer - within 5 working days



# Responsibilities of the Administrator

## Annual Allowance

- To provide Annual Allowance information. – Pension growth
- To highlight annually if an individual has exceeded their Annual Allowance

## Pensions Increase

- Carry out annual pension increase exercise and pass details of increases due to FA and their Payroll provider

# Responsibilities of the Administrator

## Retirements

- Issue quotations within ten working days of receiving the request or by separate agreed timescales for bulk requests.
- Issue the member with a letter - within seven days of notification.
- Send details of benefits payable to the scheme member within 10 working days of receiving all the information required from the member
- To instruct FA of any lump sum due and Annual Pension to be paid, once all relevant forms and certificates have been received from the member.

## Death of Pensioner

- Contact beneficiaries within 7 working days of receipt of notification of death
- If death grant is payable notify the FA of any payment due within 5 working days of receipt of all relevant documentation.

# Responsibilities of the Administrator

## Transfers Out

- Issue a quotation, guaranteed for 3 months, within 10 days
- Notify the FA of the amount to transfer out within 5 days of receipt of request

## Annual Benefit Statements

- To produce annual benefit statements for all active members and provide to the FA for distribution to members.

Disclosure regulations state that scheme managers must provide a benefit statement annually and the statement must include a description of the benefits earned in respect of their pensionable service

- The Firefighters Pension Scheme regulations specify this must be done by 31 August

# Other Functions under service contract

## Advice and Guidance

- Inform FA of any new contribution bandings
- To ensure compliance with Data Protection legislation
- To attend 2x meetings with third party software providers with regard to system and regulation administration
- To provide to Government departments any statistical information required that relates to pension administration data held on the administration system.
- Provide pensions information held on the pensions administration system for FRS17

# Other Functions under service contract (cont)

## Advice and Guidance

- Provide information, advice and assistance on the scheme and its administration
- Correspondence responded to within 5 working days
- Provide support and guidance due to change in legislation
- Presentations to scheme members when there are significant changes to the Statutory Framework which impact on scheme members.
- Provision of Forms/templates for supply of information
- To provide to FA forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically.

# Overriding Legislation

- the Occupational Pensions Schemes (Disclosure of Information) Regulations 2013
- the Pensions Act 1995 & 2004;
- The Firefighters' Compensation Scheme (England) Order 2006 (as amended)
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Disability Discrimination Act 1995;
- the Age Discrimination Act 2006;
- the Finance Act 2004;
- Health and Safety legislation;
- Employment Rights Act 2010;
- HMRC Legislation and Current GAD Guidance
- Public Service Pensions Act 2013

# What can affect how we administer the schemes

- Reliant on accurate data from FA and payroll provider (if not in-house)
- Software provider - the system keeping up with legislation changes
- Training - Pension staff keeping up to date with Regulations
  - Fire Authority staff
- LGA – Technical Officer - only appointed in the last 12 months
- Pensions Scheme membership may be small but the complexity of the schemes means more time is now spent on administration

ANY QUESTIONS???

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# Administration of the Firefighters' Pension Scheme including Governance

Rebecca Purfit  
Pensions Communication Officer

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# Agenda

- The Legislative Framework
- Structure and Governance of the Fire Scheme
- Roles, responsibilities and decision making
- The Pensions Regulator Code of Practice
  - Recent survey results and 2016 administration focus
- Breaches

# Knowledge and understanding

**Every individual who is a member of a Pension Board must:**

- Be conversant with the rules of the scheme and any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme

**And**

- Have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed

# The Legislative Framework

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# Relevant Legislation

- The Public Service Pensions (PSP) Act 2013 introduces the framework for the governance and administration of public service pension schemes
- Introduced extended regulatory oversight of The Pensions Regulator and primary legislation for:
  - Scheme design
  - Scheme governance
  - Cost management
  - Protections

# Summary of PSP Act 2013:

- Introduced Career Average Revalued Earnings (CARE) scheme (or a DC or DB scheme that is not final salary) revalued under HMT orders (up or possibly down)
- Normal Pension Age of State Pension Age or 60
- Employer cost cap with a method to ensure costs match that cap
- Prevent accrual to the existing schemes except for protected members and maintain the final salary link for previous service
- Scheme Manager, a Scheme Advisory Board and a Pension Board

# Other new legislation

- NEW - The Firefighters' Pension Scheme (England) Regulations 2014 – covered earlier
- NEW - The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015

# Further legislation

- Disclosure Regulations – covers the information requirements applying to occupational, personal and stakeholder pension schemes
- HMRC
  - Lifetime Allowance – currently £1.25m – reducing to £1m from April 2016
  - Annual Allowance – currently £40,000 – a taper introduced from April 2016 for certain members
  - Pension Team submits event reports to HMRC on behalf of SFRS
- Data Protection Act – covers data owners/sharing
  - Pensions Team undertake information governance training annually
- Medical Appeals/Internal dispute resolution procedure
- List not exhaustive!



# The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015

- Sets out the establishment of a Pensions Board from 1 April 2015
- Covers membership, conflict of interest and Funding
- Responsible for assisting to secure compliance with:
  - Scheme regulations
  - Legislation relating to the governance and administration of the Scheme
  - Pension Regulators requirements

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# Structure and Governance of the Fire Scheme

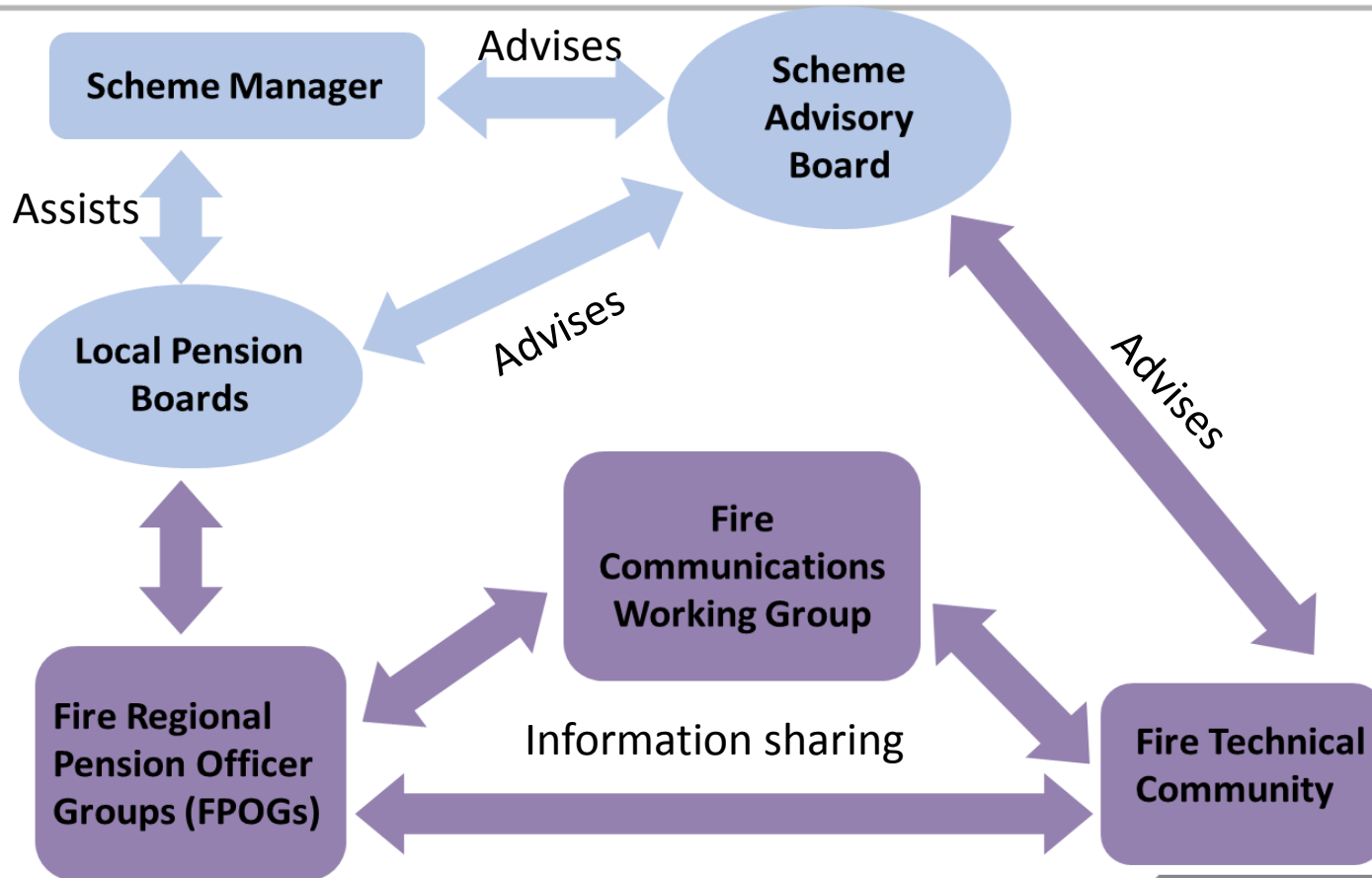
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# New Governance Structure



# Regional level

- **Fire Officers Group (FOG)**

- Established in Shropshire as smaller, regional technical group
- For the purpose of information sharing, collaborative working, interpret legislation and forward plan for key changes in legislation
- Sharing learning – value for money
- Attended by Leicestershire, Warwickshire, Worcestershire, Staffordshire, West Midlands and LGA

- **Fire Officers Communication Group (FCG)**

- Chaired by Firefighters Pension Adviser from the LGA
- Attended by Staffordshire, Greater Manchester, Dorset, London Pensions Fire Authority, Essex, Berkshire, Oxford, Lancashire
- Purpose: to collaborate on information/communications required to enable consistency of approach across administrators and Fire Authorities
- Currently looking at Annual Benefit Statements for 2016

# National level

- **Local Government Association (LGA)**

- Firefighters Pensions Adviser of the Local Government Association – Clair Alcock
- Co-ordinates advice and guidance on a national basis
- National discussion forums/training events
- Key point of liaison between the DCLG and Fire Authority
- Critical to the implementation of the new FPS 2015



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# National level

- **Department for Communities and Local Government**

- Provides legislative framework (little technical advice)



Department for  
Communities and  
Local Government

- **The Pension Regulator**

- Established by Pensions Act 2004

- Regulates occupational and personal pension schemes

- Objectives include protecting member benefits and promoting good administration

- Issued a Code of practice

The Pensions  
Regulator 

# Scheme Advisory Board

## National Scheme Advisory Board

- Set up from Public Sector Pensions Act
- Provides advice to Scheme managers and local pension boards in relation to the administration and management of the Scheme
- To enable consistency of approach across administrators and Fire Authorities



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# Roles, responsibilities and decision making

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# Roles and Responsibilities

- A number of different people are involved in governing and administering the Fire Scheme
  - Scheme Advisory Board
  - Scheme Manager – Shropshire Fire and Rescue Service (SFRS)
  - Fire Pension Board
  - 3<sup>rd</sup> Party Administrator – Shropshire County Pension Fund
- All local decisions are the responsibility of the Scheme Manager
- SFRS have outsourced benefit administration

# Roles and Responsibilities

Pension Board	Scheme Manager	Scheme Advisory Board
Gives advice to Scheme Manager	Administer Schemes	Give advice to Secretary of State
Ensure compliance	Make Scheme decisions	Recommend changes to the Scheme rules
Ensure efficiency and effectiveness of administration	Communicate	Cost/Cap/Valuation
Advise on member communication	Publish Data	Support Pension Boards
Monitor Complaints	Auditing	Benchmark
	IDRP	Oversee Standards
		Strategic Communications

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# 3rd Party Benefit Administration

- Shropshire County Pension Fund administered by Shropshire Council
- Service Contract
  - Negotiated each year for cost/provision
  - Current contract to 31 March 2016
  - Includes standards expected
- Additionally one off pieces of work can be **commissioned** (e.g. retained modified scheme processing, GAD recalculations, communication exercises via separate financial agreement)

# How it works in practice

- FRA – decision making body
- SCPF – contracted to provide benefit administration
- N.B Shropshire Council separately contracted to provide payroll services to SFRA
- Good communication essential

## Issuing Annual Benefit Statements

– Project Group set up so SFRA aware of responsibilities, data transfer and new deadline



# Role of Pension Board

To **assist** the Scheme Manager;

- To comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirement imposed by the regulator and such other matters as the scheme regulations may specify
- It is for the scheme regulations and the scheme manager to determine precisely what the pension board's role, responsibilities and duties entail

## Degree of knowledge and understanding:

- Working knowledge of the scheme regulations
- Be aware of administration policies required
  - E.g. Training policy, breaches, conflict of interest, communications, governance compliance statement
- Understanding all roles and responsibilities
- Have knowledge of overriding law

So how are you going to do this? Skills audit? Training sessions like today? Pension regulator toolkit?

The Local Pension Board **does not** replace the  
Scheme Manager;

or

**Make decisions** which are the responsibility of the  
Scheme Manager



# Examples of Pension Board Assisting Scheme Manager

- Develop/review scheme member/employer communications
- Compliance of Fire Authority with their duties under the Regulations and relevant legislation
- Complaints and performance on the administration and governance of the scheme
- Employer discretions
- Development of improved customer services
- Review effectiveness of processes for the appointment of advisors and suppliers
- Review/implement policies



# Decision made by Scheme Manager

- Discretions
- Contribution rates
- Relevant Scheme
- Award of benefits



# The Pensions Regulator Code of Practice

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# What does it do?

- Provides practical guidance
- Sets out the standards of conduct and practice expected from those who exercise those functions
- Not statements of law
- Provides principles, examples and benchmarks against for Scheme managers and members of pension boards

# Code of practice

1. Knowledge and understanding required by pension board members
2. Conflicts of interest and representation
3. Information to be published about schemes
4. Internal controls
5. Scheme record keeping
6. Maintaining contributions
7. Information to be provided to members
8. Internal dispute resolution
9. Reporting breaches of the law – covered later

**Topics underlined covered in toolkit**

**How are you capturing compliance? Training Plan?**



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# Recent TPR survey

- Carried out Summer 2015 and published in December 2015
- Regulator's baseline for compliance with the code- all public service pension Schemes
- TPR Focus on **internal controls, record keeping and provision of accurate and high quality communications to members** but up to board to set own agenda

# Breaches

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# What is a breach?

- ‘an act of breaking or failing to observe a law, agreement or code of conduct’
- Responsible for reporting a breach:
  - Pension Board
  - Scheme Manager
  - Any professional advisers
  - 3<sup>rd</sup> party providers



# An individual responsibility for you

- Requirement to report breaches of the law to the Regulator where there is reasonable cause to believe that:
  - a legal duty relation to the administration of the scheme has not been, or is not being complied with
  - the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions
- The report must be must in writing as soon as reasonably practicable



# The Steps to follow

## Identify

- Legal Clarification/difficult cases
- Facts of the case
- Clear referral process
- Timescales
- Freedom to raise concerns

## “Reasonable Cause”

- Don't act on suspicion or hearsay
- Has breach actually happened?
- Legal advice
- Robust checks
- External advice?

## Record

## Reporting

- Named Officer
- Agree cause of action
- Cooperate and assist
- Regulator-via Exchange/Materially significant

## “Material Significance”

- Cause
- Effect
- Reaction
- Wider implications

# TPR Traffic light – what should be reported?



Where the **cause, effect, reaction** and **wider implications** of a breach, when considered together, are likely to be of material significance, the breach is 'red'. These must be reported to the regulator.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance, the breach is 'amber'.



Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance, the breach is 'green'. These should be recorded but do not need to be reported.

<http://www.thepensionsregulator.gov.uk/docs/ps-reporting-breaches-examples-traffic-light-framework.pdf>

# How are you going to do this?

- Record and decide whether to report
- Identify
- Monitor
- Capture
- Who?



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# Recording

- Who is responsible for recording breaches?

- Will investigate all reported events
- Ensure action plan is put in place and acted on
- Report to Pension Board
- Report to the Pensions Regulator

- Breaches Log

Date, description, cause, effect, wider implications, severity, dates reported to officers/elected members/Regulator, mitigating actions, target dates, responsible officer.

# “Materially Significant”

## Need to consider

- **Cause-** dishonesty, poor governance, incomplete/inaccurate information.
- **Effect-** ineffective internal controls, lack of knowledge/understanding, potential for further breaches
- **Reaction-** action taken, notification to interested parties
- **Wider implication-** issues that make it likely breach will reoccur in the future.

# Penalties

- Failure to comply with obligation to report a breach is a civil offence
- Pensions Regulator can:
  - Issue warning notice- identifying the alleged breach
  - Impose fines
  - Issue Compliance Notice
  - Make report to the “reporter’s” professional or other body



# What is an example of a breach?

A legal duty which is relevant to the administration of the Scheme that has not been complied with....

Could be...

- Failure to enter employee into the Scheme
- Late payment over of contributions
- Late issue of year-end data
- Late issue of annual benefit statements
- Late notification of leaver/retirement details
- Failure to declare potential conflict

# Late issue of year-end data

## Scenario

Year-end pay and contribution return in respect of active scheme members submitted late to administrators

## Steps that might be taken

- Contact the 3<sup>rd</sup> party provider to assess the reason
- Investigate what went wrong
- Put in place steps to ensure no repeat
- Record their investigation
- Assess processes to ensure they pick up fraud

## Materiality

Is the delay/failure likely to be of “material significance”? Consider,

- Is the employer unwilling or unable to provide the required data? e.g. are it's systems adequate
- Has the 3<sup>rd</sup> party provider responded to the Scheme Managers enquiries?
- Will the delay impact the issue of Annual Benefit Statements?

**Yes to any of the above may imply materiality**

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# We hope we have..

- ✓ Improved your knowledge of the Firefighters Scheme Regulations
- ✓ Improved your knowledge of the Governance and Administration of the Firefighters Scheme

# Thank you for listening

## Any questions?

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