

Firefighters' Pension Board Annual Report 2016-2017

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Introduction

This report covers the period from April 2016 to end March 2017. This closing date matches the closing date of both the 2016-17 Annual Accounts of the scheme and the 2016-17 Annual Report and Accounts of the Scottish Public Pensions Agency (the SPPA or Agency). The SPPA has been nominated by Scottish Ministers as the Scheme Manager of the Scottish Firefighters' Pensions Schemes.

It is important to begin by placing on record the Board's appreciation of the work of the Agency's staff in supporting the Board throughout the year.

1. The Pension Board Purpose

The Public Service Pensions Act 2013 required the establishment of a pension board for the Scheme with effect from 1 April 2015 with the responsibility for "assisting the Scheme Manager" in securing compliance with the regulations and other legislation relating to the governance and administration of the Scheme.

The Pension Board collectively, and members individually, are accountable to the 'Responsible Authority' and 'Scheme Manager' (ultimately Scottish Ministers) with the Cabinet Secretary for Finance and the Constitution acting as lead Minister for public sector pensions. SPPA assumes the day to day role of Responsible Authority and Scheme Manager as delegated by Scottish Ministers via the Agency Framework Document.

The Scotland Act 1998 (which established the Scottish Ministers) provides for statutory functions to be conferred on "the Scottish Ministers" collectively.

The Pensions Board has separate general pension governance and reporting duties under pension's law to the UK Pensions Regulator.

2. The Pension Board Role

The Pension Board's role is to assist the Scheme Manager in a range of issues associated with the administration of the scheme. These can include:

Administrative:

- Considering quality, timeliness and accuracy of the administrative services provided to members
- Monitoring administrative processes and supporting continuous improvements
- Supporting employers and the SPPA in communicating effectively to Scheme members
- Ensuring members have access to a range of tools to improve their understanding of their pension benefits
- Ensuring scheme data is managed to the highest standards

- Ensuring compliance with The Pensions Regulator's codes of practice and oversight of interaction between the Scheme Manager and The Pensions Regulator
- Requesting reports on specific topics from the Scheme Manager – as required

Financial:

- Consideration of the quadrennial scheme valuations' process and progress

Strategic:

- Giving consideration to the future programme of service improvement at SPPA and its alignment with priorities identified by the Pension Board
- Consideration of lessons learned regarding customer complaints and Pension Ombudsman cases
- Fostering good working relationships with The Pensions Regulator and other service delivery partners
- Consideration of the annual report from The Pensions Regulator, including any responses to recommendations
- Producing an annual report outlining the work of the Pension Board throughout the scheme year
- Considering changes to Scheme Regulations

3. The Board

With an independent Chair and Vice Chair, the Pension Board is also made up of representatives of scheme members and the scheme employer, Scottish Fire and Rescue Service (SF&RS). For the year 2017-16, the Pension Board members were:

- Stephen Thomson, Fire Brigades Union (FBU) nominated scheme member representative
- Denise Christie, FBU nominated scheme member representative
- Alex Clark, Deputy Chief Officer, SF&RS
- Gillian Clark, Human Resources & Organisational Development Manager, SF&RS
- Alan Duncan, Accounting Manager, SF&RS
- Allan Martin, Chair, a pensions actuary and professional independent trustee
- Stuart Purdy, Deputy Chair, retired insurance company director

John McFadden retired from the Board in April 2016.

Alex Miller retired from the Board in September 2016.

Jamie McMurtrie joined the Board in January 2017, but unfortunately had to step down in March 2017.

4. Board Meetings

The Pension Board met on four occasions, twice at the SPPA's office in Tweedbank and twice in Cambuslang. The location of the meetings has been considered in detail

and it has been agreed that meetings will alternate between the two places balancing external support from within the Firefighter community and gaining accessibility to the subject matter experts at SPPA.

Details of the Pension Board membership and attendance record at meetings are set out in Annex A.

There have been no notifiable conflicts of interest recorded for Pension Board members.

5. Scheme Membership

As at 5 April 2017 active Firefighters were split across the four different membership or benefit categories as follows:

Scheme	Members	Employer Contribution rate % of earnings
1992 (FPS)	1,419	29.6
2006 (NFPS)	623	16.9
2015	3,986	15.7
RDS Modified Scheme	750	29.6

Employee contributions ranging from 8.5–17.0% are payable in addition together with ill health additional employer contributions.

1,194 former Firefighters who left the service have benefits previously built up which are payable at retirement. In addition over 300 members under the age of 50, who have already accrued 30 years pensionable service, have now ceased making contributions.

At present 4,650 former Firefighters and their dependents have pensions paid from the Scheme.

6. Financial Highlights

A formal record of employee contributions, employer contributions and benefits paid from the Scheme is completed each year in the SFRS Report & Accounts. The 2016-17 Scheme Accounts have been audited and submitted to Scottish Ministers. The following table highlights a few key details from the draft accounts –

Employee Contributions	£20m
Employer Contributions	£30m
Pensions Paid	£80m
Retirement Lump Sums	£20m

7. IT Procurement

Work on 'Project 17' (an integrated pension and payroll pension platform and associated digital solutions) began in earnest when the consolidated IT contract was awarded to Capita Plc (Employee Benefits) in October 2015. The aim of the project was to fully exploit the benefits of the supplier's services, including its capability to enhance the customer experience and to provide an advanced digital business solution.

Challenges arose with the new core pension and administration system during 2016-17 as work specified by the Agency in its Invitation to Tender was being programmed into the pension software product, to the point where the original go-live date proved unattainable and contingency arrangements were enacted. Crucially, this required the Agency to extend the life of contracts with its original suppliers to ensure continued safe delivery of pension payments to its members. Also, recognising the risk to project deliverables, the Agency took action mid-way through the project implementation phase to commission an independent 'health check' carried out by the Scottish Government's Office of the Chief Information Officer in order to better understand how to facilitate a positive project outcome. Throughout the Agency consulted with members of the Board in order to ensure that the Board was appraised of the issues, the intended resolution path and that Board members were able to gain an assurance regarding the level of on-going service available to members.

One of the key recommendations from the 'health check' review in October 2016 was that the supplier should address a range of issues to ensure the delivery of its product to the required specification and quality and minimise further delay in implementation. The Agency has since worked with the supplier to help develop a mutually acceptable and well defined project re-plan. In order to validate the revised project planning assumptions the supplier has agreed to carry out a short, reduced scope delivery exercise that will help inform both the re-plan and the revised go-live target. This exercise was on-going at the end of the year.

8. Reconciliation of the Scheme's GMPs

Following decisions by HM Government on the cessation of contracting out, initial analysis has been carried out by an external contractor on the SPPA's GMP data for the Scheme. Reconciling the GMP data of the Scheme with the records held by the Department of Work and Pensions is a major exercise for the SPPA and needs to be completed by the end of 2018.

A project team has been put into place at SPPA. It is currently undertaking further data analysis of scheme records. The Pension Board has considered progress on this topic at each of its meetings and will continue to monitor progress as the deadline approaches.

A number of decisions from Her Majesty's Treasury are awaited which will dictate the scope and scale of benefit adjustments.

9. Scottish Public Sector Governance Review

In 2014, the Scottish Government committed to review the effectiveness of the operation of the Pension Board and Scheme Advisory Boards. That review was commissioned, from an external consultant (KPMG), in late 2016 and reported to SPPA in January 2017. The Board was consulted on the Review's Terms of Reference. A number of Board members contributed, by completing a questionnaire, by interview or both, to the work of the Review. The Board considered the consultant's report at its February 2017 meeting and commented to the Agency. At the year-end, the Agency was considering the recommendations and the comments from this and other Boards with a view to seeking Ministerial conclusions.

10. Complaints and disputes

The tables below shows the number of formal complaints received over the scheme year. In line with the Scottish Public Service Ombudsman's best practice, complaints are largely dealt with by frontline staff; however, through SPPA's complaints procedure a total of 7 complaints were received, in terms of context, this amounts to 6.0 in 10,000 of the scheme's membership.

Complaints were generally about the customer service experienced from the SPPA and broadly were categorised as follows:

Scheme	Total complaints completed 2016/17	% of complaints received by SPPA	No of scheme members as at 31/03/16*	Number of complaints per 10,000 members	Outwith performance standard	Total complaints completed 2015/16
Firefighters'	7	4.83%	11672	6.00	0	9

The nature of each complaint is categorised, and the number of complaints received per category is shown in the table below:

Scheme	Error	Other	Over-payment	Policy	Response Time	Standard of Service
Firefighters'	0	1	0	0	2	4

A total of 7 Internal Dispute Resolution Procedure (IDRP) Stage 1 have been completed in 2016-17. In addition, 1 IDRP Stage 2 was completed during 2016-17.

Scheme	IDRP1s completed 2016/17	% of total IDRP1s	Outwith target	Total No of scheme members*	Number of IDRPs per 10,000 members	IDRP1s completed 2015/16
Firefighters'	4	5.00%	0	11672	3.43	7

In 2017-18 the complaints procedure will move to a one stage process in line with guidance from the Pensions Ombudsman.

10. Liaison with SPPA / the Pensions Regulator

The Pension Board has worked closely with SPPA throughout the year. Attendance at Pension Board meetings by both SPPA senior leadership staff and by subject matter experts has been particularly helpful.

The Pensions Board has not had a significant amount of interaction with the Pensions Regulator. However, the Board did report to the Regulator the Scheme's failure to meet the statutory target for issue of annual benefit statements to members. The Regulator acknowledged the Board's report and is in continuing discussion with the SPPA about the steps being taken to improve performance. The Board keeps this issue under very active review.

11. Board member training and CPD

A work and training plan has been developed over the year which includes any requests made by the Board. Throughout 2016-17, the Board received training on Benchmarking in Public Pensions, Governance Review and HMT GMP Reconciliation.

12. Customer Service – Firefighters

The Pension Board has overseen the results from SPPA's continuous customer survey, launched on 4 August 2016. From its inception up to 31 March 2017 a total of 50 Firefighters' members and pensioners (0.42% of overall scheme membership) have participated in the survey. From those, 38 participants provided an overall satisfaction level with SPPA, of which 44.74% indicating they were either extremely or quite satisfied with the service provided by SPPA.

In response to the question, 'what could SPPA do better?' a total of 31 customers responded in the period 04 August 2016 up to 31 March 2017, with a variety of feedback as per breakdown shown here;

1. Communications	32.26%
2. Positive	16.13%
2. Time	16.13%
4. Miscellaneous	12.90%
5. Benefit Statements	9.68%
6. Website	6.45%
7. Telephone	3.23%
7. Online Services	3.23%

All feedback has been analysed to identify areas for improvement. Pension Board members will assist SPPA to target and address the issues that really matter to members to support SPPA's continuous improvement of the service it provides for its customers.

As well as the feedback suggesting improvements shown in chart above, an additional 5 customers provided comments on their positive experience in dealing with SPPA.

13. Member appraisal and Pension Board review of effectiveness

Pension Board members are effectively appraised throughout the year. At meetings and through normal business correspondence and discussions it is clear that the whole Board is dedicated to their function and supporting member interests.

14. Forward Look

For 2017-18 and beyond, the Pension Board's focus will continue to be on scheme administration, governance and member communications. Although the quadrennial actuarial valuation of the scheme will be overseen by the Scheme Advisory Board, the Pensions Board may be involved in administration, governance or communication aspects of any adjustments to employee contributions or scheme benefits emerging from the "cost cap" mechanism.

The sustainability and intergenerational fairness of current public sector benefits and contributions will be in question ahead of the scheduled H M Treasury methodology review in 2021.

Allan Martin,
Chair Scottish Firefighters' Pension Board
December 2017

Further Information

Some relevant and useful pensions-related websites include -

SPPA web site at <http://2015.sppa.gov.uk/scheme/firefighters>

www.pensionsadvisoryservice.org.uk – provides information about pensions, how to trace lost pensions and a complaints service (before consideration by the Pensions Ombudsman)

www.pensionswise.gov.uk - gives guidance on other types of pension arrangements

www.moneyadvice.service.gov.uk - free and impartial money paid for by the government.

www.unbiased.co.uk – to find an authorised independent financial adviser (IFA)

www.thepensionsservice.gov.uk - helps with State Pensions, when and how much is payable.

www.pensionsregulator.gov.uk – the pension scheme watchdog (public and private sector).

Annex A

Board Membership and Attendance at Meetings

Name	Date			
	28 June 2016	1 September 2016	16 November 2016	1 February 2017
Allan Martin	Y	Y	Y	Y
Stuart Purdy	Y	Y	Y	Y
Stephen Thomson	N	Y	Y	N
Alex Clark	N	Y	N	Y
Gillian Clark	Y	N	N	N
Alan Duncan	Y	Y	Y	Y
Denise Christie	Y	Y	Y	Y