



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Secretary of State for Policing and the Fire Service
Home Office
2 Marsham Street
London
SW1P 4DF
United Kingdom
24 July 2018

Dear Mr Hurd

Joint Pension Board Request

The purpose of this letter is to request approval to set up a Joint Pension Board between Nottinghamshire, Leicestershire and Derbyshire Fire Authorities. The scheme rules set out in which circumstances a joint local pension board may be established if approval in writing is obtained from the secretary of state:

Where the administration and management of this scheme is wholly or mainly shared by two or more scheme managers, those scheme managers may establish a joint local pension board if approval in writing has been obtained from the Secretary.

Approval may be given subject to such conditions as the Secretary of State thinks fit and may be withdrawn if any conditions are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.

We have been liaising closely with the Home Office pension scheme in developing our approach and after taking advice from the Firefighter's Pensions Scheme Advisory Board a submission has been prepared and is appended to this letter.

We look forward to hearing from you in the near future and would welcome the opportunity to meet to discuss our proposals.

Yours sincerely

Nottinghamshire Fire Authority
Scheme Manager – Becky Smeathers

Chair of Pension Board – Cllr Sybil
Fielding

Derbyshire Fire Authority

Scheme Manager – Simon Allsop

Chair of Pension Board – Chris Tapp

Leicestershire Fire Authority

Scheme Manager – Alison Greenhill

Chair of Pension Board –

Leicestershire County Council

Scheme Administrator – Ian Howe

Submission for the Consideration of a Joint Pension Board between Nottinghamshire, Derbyshire and Leicestershire Fire Authorities

1 Executive Summary

- 1.1 The purpose of this submission is to request approval from the Secretary of State for the creation of a joint pension board between Nottinghamshire, Derbyshire and Leicestershire Fire Authorities.
- 1.2 The main benefits of creating a joint board are:
- Increased resilience of the board;
 - Greater opportunity to expand shared working;
 - Improved delivery of best practice;
 - More cost effective governance;
 - A greater spread of understanding of the fire fighters pension scheme rules and associated pension scheme legislation;
 - Greater conformity of information and advice to members;
 - Wider shared knowledge and understanding of board members;
 - Reduced risk around regulatory, financial and operational compliance;
 - The ability for scheme advisors to assist each other;
 - Increased joint training opportunities;
 - Supports collaborative ways of working.
- 1.3 The creation of a joint board will deliver an improved and more cost effective service to its members with little or no additional risk. The three Authorities are therefore making a joint request that the Secretary of State approves the creation of a joint board, initially to cover Nottinghamshire, Derbyshire and Leicestershire Fire Authorities.

2 Background

- 2.1 The scheme rules require that in order that a joint board can be set up the authorities concerned need to share the same administrator and gain the approval of the Secretary of State.
- 2.2 All three Fire Authorities had the intention back in 2015 when Pension Boards were initially created to set up a joint board given that they shared the same administrator. However, it was not possible to gain the required Secretary of State approval in the timescales required in accordance with the Public Service Pensions Act 2013.
- 2.3 Each Authority set up its own individual board as an interim measure until approval could be gained for the joint board. All three Fire Authorities have recently approved the request to the Secretary of State for the approval of a joint board.

- 2.4 There are many areas where the three Authorities already work very closely together, such as shared training, shared reports, regional meetings and sharing of key performance data. The request to create a joint board has come about due to the desire to work more closely together with the aim to improve the service provided to our members, for example by way of providing a member self-service portal.
- 2.5 The Firefighter's Pensions Scheme Advisory Board have worked closely with the three authorities and the scheme administrators to enable a submission to be made. This resulted in the development of a framework to put together appropriate evidence required for approval.
- 2.6 The existing Pension Boards for the 3 Authorities concerned met with the Scheme Advisory Board along with Jayne Baldock from the Home Office on 14 June 2018 to work through the submission using this framework.
- 2.7 The framework covered 9 main areas:
- 1) Requirement for wholly or mainly shared administration;
 - 2) Evidence that each single board is already operating well;
 - 3) Evidence on how process and procedures apply equally to all scheme managers operating within the shared arrangement;
 - 4) How employer and employee representatives from each scheme would be represented on the joint board;
 - 5) Governance Arrangements - What value would the joint board give to the scheme member experience, over and above the current single board operation;
 - 6) How will the board approach scheme decisions;
 - 7) How will the joint board ensure that individual scheme managers are complying with regulations?
 - 8) How will the board evidence continued efficient and effective governance?
 - 9) Evidence of consultation with stakeholders.
- 2.8 The evidence for the common administrator and the 9 main areas covered in the framework are considered in detail in sections 3 to 11 below.

3 Wholly or Mainly Shared Administration

- 3.1 The scheme rules state that:

In order to satisfy the requirement for wholly or mainly shared administration, any proposals for a joint board means that all participating Fire and Rescue Authorities should show evidence that they share the same administrator for pension services.

- 3.2 Leicestershire County Council (LCC) Pension Services provide the pension administration service to all 3 Fire Services.

3.3 LCC have provided a statement regarding their experience of working with multiple scheme managers and how a joint board will assist engagement and add further value to the member experience:

“The 3 Scheme Managers are engaged in Pensions and work well with the Pension Administrator. This takes place in the following ways:

- Each Fire Authority asks the Pension Manager to attend each of their Pension Board meetings and provide an administrator update. Similar feedback is given to each Fire Authority’s Pension Board including KPIs, Metric Data, administration update and an update on national issues. A joint board would mean that the Pension Manager could relay this information to all Pension Boards at the same time instead of attending three separate meetings each time. This would encourage more succinct information being cascaded to Boards, help the board operate more efficiently e.g. if additional training is needed then all members can undertake this at similar times and it would ensure such things as a more robust risk register. It would also encourage comparable member communications as a result of items being discussed within these meetings. Additionally, only one set of reports will be needed for Board meetings. The three Fire Authorities put essentially very similar information into their reports.*
- Scheme Managers, HR managers, Finance representatives from all three Fire Authorities and pension representatives attend quarterly meetings where updates are given on national issues, new system processes, feedback from technical groups, ideas for communications and administration issues. Discussions are held regarding ways to proceed on these issues. This ensures that changes in processes and enhancement to knowledge are started at the same time and cascaded down to members. Some subjects from the quarterly meetings are referred to the Pension Boards for discussion so a Joint Pension Board would make sense in this respect.*

Scheme Managers share knowledge between themselves to ensure that processes are completed accordingly including national pension exercises and work on new systems e.g. I Connect. Scheme Managers work well together in the following other ways:

- Pensionable pay reviews. Derbyshire provided presentations for Leicestershire Fire;*
- HR share knowledge on difficult cases;*
- Roadshows are being held which are shared by all three fire authorities.*

All forms and administration processes are the same for our three Fire Authorities, for example retirement and estimate forms and processes. They are working to using the same systems e.g. I Connect and MSS. This ensures that member’s experiences are the same when they request estimates and retire from service.

Audits are now done on a joint basis- the basis of the audits are decided by all three fire authorities. This ensures that all three fire authority's records are correct and to the same standard which also ensures that member's records are also correct.

A Joint Board will enhance and encourage all the above points.

4 Evidence to show how each of the single boards are already operating well

4.1 The Pensions Regulator (TPR) identifies 6 key processes as an indication of good governance and administration of public pension schemes. These are:

- Policy to manage board members conflict of interest;
- Access to knowledge, understanding and skills needed to run the scheme;
- Procedures for assessing and managing risk;
- Processes to monitor records for accuracy / completeness;
- Processes to resolve payment issues and report failures to the TPR;
- Procedures to identify, assess and report breaches of the law.

4.2 A governance self-assessment for each of these areas has been undertaken by each of the individual Authorities and the results can be found in Appendix 1.

4.3 The assessment shows that most areas have been classified as good (green) with a few areas classified as adequate (amber). The amber areas are mainly around data quality, which is being addressed through the development of data improvement plans. The initial groundwork for these plans is being undertaken by way of a data quality internal audit review which has been jointly procured by the three authorities. The creation of a joint board would simplify the process.

Risk Registers

4.4 All three authorities have risk registers in place which are reviewed regularly by the individual pension boards and shared between authorities. These can be found at Appendix 2.

4.5 Examples of areas where risks have been mitigated as a result of the risk register being reviewed include:

- Internal audit reviews to ensure that member data and pension calculations are accurate;
- Requesting an internal audit review of pension governance arrangements;
- Ensuring that regional training is taking place in accordance with agreed timetable;
- The Annual benefit statements have been highlighted as a risk area given the failure to meet the 2016/17 deadline for distribution. This area was kept under review and action undertaken to ensure that the deadline was met for 2017/18.
- Ensuring proper advice to members;

- Undertaken tax training to members;
- Review of pensionable temporary allowances;

Other Evidence

- 4.6 The three Authorities provide support to each other and share good practice to ensure that each individual board is operating well. Regional administration meetings are held quarterly to transfer information between the administrator and the Authorities, to ensure that all authorities are made aware of legislative changes and to discuss any potential problem areas and actions required.
- 4.7 Pension Board reports and risk registers are already shared along with KPIs between the authorities which are reviewed to ensure best practice across the region.
- 4.8 The three authorities have worked closely together in areas such as member training and the creation of a joint annual benefit statement template and associated notes to help ensure consistency across the authorities.
- 4.9 The Fire Brigades Union (FBU) already produce some joint pension communications. It is hoped that the creation of a joint pension board would further enable this to happen.
- 4.10 The authorities have jointly procured internal audit reviews of pension administration to help provide assurance around accuracy of data and calculations. The regional procurement has also delivered cost savings.

5 Evidence how process and procedures apply equally to all scheme managers operating within the shared arrangement

- 5.1 The use of the same administrator ensures a consistency in the determination of many of the processes and procedures. Cost effective pension administration is driven from agreed working practices and processes covering all three Authorities. Examples of common processes already agreed are voluntary scheme pays. A common GDPR privacy notice is also currently being implemented. The authorities already use common forms for leavers, pension estimates and payment notifications.
- 5.2 The creation of a joint board will enable further alignment of similar processes and therefore provide increased efficiency, reduced risk and common experiences for members.

Fire Authorities who may wish to join the joint board

- 5.3 Any Fire Authorities wishing to join the joint board would have to comply in the first instance with:
- Providing data which meets TPR data requirements;
 - A full and detailed data migration would have to be signed off by the Pensions Manager, the Fire Authority (FA) and Audit to provide assurance the data was accurate and held in the correct fields and formats;

- The FA would need to demonstrate a commitment to work closely with the pension administrator on agreed data input and export (eg for monthly pension submissions and agreed Annual Benefits Statements);
- The new FA would have to align to existing processes, procedures and policies as existing members of the joint board;
- The new FA would have to comply with governance arrangements and any existing constitutional documents.

5.4 Current members of the joint board would need to be satisfied that the above conditions were met before agreeing to the new FA being permitted to join.

Fire Authorities who may wish to leave the joint board

5.5 Any FA wishing to leave the joint board would need to adhere to a notice period linked to the Service Level Agreement Contract and System Administrator contract.

Items Specific to one Fire Authority

5.6 Where there is an issue specific to one Authority the joint board would look to find a common position which can be applied. It may be necessary in some circumstances to refer the issue to a sub group for each Authority to discuss and make recommendations to the Board. There may be scope for treating some more minor issues, such as pension discretions, on an individual basis. The Constitution of the Board will be developed once approval is gained. This will need to clearly set out these procedures.

Non-Complying Fire Authority

5.7 The constitution will contain clear guidelines regarding where there is a situation of non-compliance by a Fire Authority. However, in the first instance, the board will support Authorities through open discussion and developing skills and knowledge to ensure that all members comply with legislation. Authorities will need to sign up to and abide by the agreed constitution before the joint board becomes operational.

5.8 If the form of non-compliance is considered to be a breach of legislation then the board will have responsibility to report it to TPR.

6 How employer and employee representatives from each scheme will be represented on the board

6.1 In the first instance it is anticipated that the board will simply be an amalgamation of the three current individual boards. There will be 6 employee representatives and 6 employer representatives. The Chair is expected to rotate between the three Authorities in turn on an annual basis. This will create a board which is more resilient as often it is difficult to ensure individual boards are quorate. In the past it has sometimes been difficult to get regional representatives to attend and it is hoped that having one board will make it easier for this to happen. The increased number of members on the board will also reduce the risk of a knowledge gap due to turnover of members.

- 6.2 There may be opportunity to reduce the number of substitutes required to ensure that the board remains quorate.
- 6.3 The members representing each Authority will be determined by that Authority alone.

7 Governance Arrangements – how the board will improve scheme member experience over individual boards

- 7.1 The joint board and closer working between individual boards would further improve joint training and knowledge. This is an area already well developed within the existing arrangements with member training roadshows rotating between individual authorities but being open to all to attend. Some board member training takes place regionally and nationally but some remains within each individual Authority. For example, Nottinghamshire Fire Fighter Pension Board receives training on relevant issues at the close of each meeting and this is an area that could be developed further.
- 7.2 The joint board would become more resilient due to having more members, better understanding of legislation and shared documentation.
- 7.3 The creation of the joint board will enable best practice to be shared across the three authorities in an easier way than at present where individual policies and procedures are drawn up, approved by individual boards and then shared. Examples of where this has already happened is the creation of jointly agreed annual benefit statement template with associated notes.
- 7.4 Going forward it is hoped to develop a members' self-service portal so that members can access up to date information on the values of their pensions.
- 7.5 At present the scheme managers share information on an informal basis to aid with decision making and communication with members. The formalisation of this process will be of benefit to each authority, enabling them to expand shared working opportunities. Members will similarly benefit from common communication across the 3 authorities.
- 7.6 A greater spread of understanding of the firefighters' pension scheme rules and associated pension legislation will reduce the potential for errors to be made and improve the service provided to members.
- 7.7 Currently the Scheme Administrator attends all boards and advises the three Authorities separately, including providing update information on an individual basis. If this is cut down to one board there will be time savings.

8 Scheme Decision Making

- 8.1 Wherever possible decisions will be made in alignment across the three authorities. That withstanding, in the unlikely event of there being instances where individual authorities may find themselves in circumstances where agreement cannot be reached the constitution will clearly need to include

dispute resolution procedures and clear identification of where individual Authorities may have autonomy over decisions and discretions.

8.2 The main consideration in requiring joint board decisions across all three authorities will be where aligned practices will aid the administration of the schemes.

8.3 Examples of where consistency between FAs regarding decisions would be desired include:

- Operation of Voluntary Scheme Pays;
- Retention of documents;
- Rationalisation of pension discretions where possible;
- TPRs common and conditional data;
- Application of national guidance;
- Pensionable Allowances;
- Considering emerging national issues – eg first responders;
- Moving towards a members' self service portal.

9 Ensuring that individual scheme managers are complying with regulations

9.1 The quarterly administrator regional meetings already enable pension issues to be discussed to assist scheme managers to obtain agreement on areas such as new regulations, reporting of breaches and timescales to meet statutory deadlines.

9.2 The creation of a joint board will further encourage alignment. The increased number of members of the joint board will also provide increased diversity of knowledge and a board that is more able to challenge individual scheme members.

10 Evidencing continued effective and efficient governance of the board.

10.1 All three authorities already have strong governance arrangements, some of which have been the subject of internal audit review. All Authorities take annual reports back to Full Fire Authority meetings to ensure governance is held at the highest level. This will continue under the new arrangements.

10.2 Although the constitution will need to contain robust procedures to remove any non-compliant members the board will concentrate first on encouraging compliance. This will be assisted by skill sharing and training which will develop understanding and ensure competencies are maintained. Joint discussions at board level will provide the opportunity for guidance to individual Authorities

10.3 Regular internal audit reviews will continue to be undertaken to ensure compliance.

10.4 The agendas and minutes of board meetings will continue to be published on the all member websites.

11 Evidence of consultation with stakeholders

- 11.1 All individual boards contain employee representatives, including those from appropriate trade unions, who have contributed to the decision making process with regards to collaboration between the existing boards and moving towards a joint board.
- 11.2 The submission of this request for approval of a joint board has been approved by all individual Fire Authorities.
- 11.3 All agendas and minutes are published on the Authority's websites.

12 Recommendation

- 12.1 The creation of a joint board will deliver improved and a more cost effective service to its members with little or no additional risk. The three Authorities are therefore making a joint request that the Secretary of State approves the creation of a joint board, initially to cover Nottinghamshire, Derbyshire and Leicestershire Fire Authorities.

Governance Self Assessment

Governance Process	Nottinghamshire Fire Authority	RAG rating	Derbyshire Fire Authority	Rag rating	Leicestershire Fire Authority	RAG rating
Conflict of Interest Policy	Policy in place and standing agenda item. Training been provided to Board	G	Policy in place and standing agenda item. Training been provided to Board.	G	Policy in place and standing agenda item. Training been provided to Board.	G
Access to knowledge	Annual Training Plan in place. Training session follows each Board meeting on key risk area. Training register in place.	G	Annual Training Plan in place. Training session follows each Board meeting on key risk area.	G	Annual Training Plan in place. Training register in place. Training on current emerging issues takes place as appropriate.	G
Process for assessing and managing risk	Risk Register in place which is updated and reported to each Board meeting.	G	Risk Register in place which is updated and reported to each Board meeting. Specific reports issued to previous Boards in relation to specific risks and how they are mitigated eg Abatement, LoPPA and ABS breaches.	G	Risk Register in place which is updated and reported to each Board meeting.	G
Processes to monitor records for accuracy/ completeness	Full review of records post transfer to new administrator. Internal Audit	A	Internal Audit Reviews have recently been undertaken. All reports reported to Board.	A	Independent data audit to be undertaken in 2018/19. Audit outcomes will be reported to the Board. A data improvement plan	A

	<p>Reviews have recently been undertaken. All reports reported to Board.</p> <p>Data audit to be undertaken in 2018/19.</p> <p>Reconciliation to HMRC records. Moving towards monthly collection of data.</p> <p>Data improvement plan to be developed following data audit.</p>		<p>Data audit to be undertaken in 2018/19. Reconciliation to HMRC records, with progress being made on a minority of unmatched data. Real-time data provided from payroll to Administrator. Data Improvement Plan being progressed and reported to board</p>		<p>featuring these outcomes will be developed.</p> <p>Reconciliation to HMRC records.</p> <p>Use of I-Connect to enable monthly collection of data.</p>	
Report failures to TPR	<p>Independent Disputes Resolution Procedure (IDRP) in place.</p>	G	<p>Processes in place for Board to consider any future breaches and criteria agreed to define a material breach. Demonstrated with ABS timescale breaches considered during 2017/18. IDRP policy approved 2017/18.</p>	G	<p>Independent Disputes Resolution Procedure (IDRP) in place. Procedure to be reviewed to ensure fit for purpose by the Monitoring Officer.</p>	G
Processes to identify and assess breaches of the law	<p>Breaches procedure and register approved by Board March 2018.</p>	G	<p>As above</p>	G	<p>Breaches procedure and register considered and approved by Board at each meeting.</p>	G

RAG rating:

Red – Poor

Amber – Adequate

Green - Good