



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Local Firefighter Pension Board

FIREFIGHTER'S PENSION RISK REGISTER

Report of the Scheme Manager

Agenda Item No: 5

Date: 12 October 2018

Purpose of Report:

To update Board members on current status of the Risk Register.

Recommendations:

That Board members note the latest Risk Register attached at Appendix A.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 The Pension Regulator recommends that the pension scheme manager must establish and operate adequate internal controls that enable them to manage the risks that relate to the scheme. The scheme should also have a process to identify, evaluate and manage risks on an ongoing basis.
- 1.2 The Pension Risk Register is a key document to identify areas of risk, identifying appropriate actions to mitigate this risk and to manage the process. The document is a live document, continually being updated and reviewed.

2. REPORT

Developments since last meeting

- 2.1 The current risk register is attached at Appendix 1. Changes and updates to the risks are highlighted in grey on the risk register. Updates on risk areas are provided in the following paragraphs.

Risk 2 - Member data and records incomplete or inaccurate

Risk 3 - Administration process failure/ maladministration

- 2.2 Data continues to be reviewed and checked as part of the Annual Benefit Statement. Any queries were resolved as part of this process.
- 2.3 A further data audit is due to be undertaken in this financial year to cover:
 - GDPR compliance;
 - identifying potentially fraudulent behaviour, including members forgetting to provide information which will change their pension entitlement;
 - correct identification of ill health pensioners;
 - compliance with legislation;
 - correct transitional arrangements between schemes.
- 2.4 The final audit report will be presented to the Board. It is anticipated that once completed and any recommendations introduced it will be possible to revise the risk factors accordingly.
- 2.5 The Pension Regulator has instructed pension administrators to measure, record and improve certain data fields for both Active Members and Leavers:
 - **Common Data** – such as name, address, National Insurance Number, key dates around membership and retirement and membership status;
 - **Scheme Specific Data** – Employer name, scheme name, service history details, GMP entitlement, employee contribution history and CARE start / transition date, linked records etc;

2.6 The regional administration group have commenced work to agree the data to be recorded and improved and how to collect it. This will form the basis of a Data Improvement Plan. Any audit outcomes will also feed into the development of this plan.

Risk 7 – Excessive charges by pension administrators

2.7 The tender to provide pension administration software has now been awarded. This will give some cost stability over the next 5 years, with an option to extend the contract for another 5 years.

2.8 The Service Level Agreement between the scheme administrators and NFRS currently runs for 1 year. It is the intention to extend this to cover 2 years from 2019/20.

Risk 11 – 4 Yearly pension scheme valuation

2.9 HM Treasury have issued draft directions for the 2016 valuation for comment. This includes a proposal to drop the discount rate used to calculate the current value of future contributions. If agreed this would have the effect of increasing employer contributions.

Risk 21 - Creation of Joint Pension Board – impact on scheme governance / reputational risk

2.10 A draft submission has now been drawn up and can be seen in item 6 of this agenda.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report. Any financial implications for the Authority will be reported to the Finance and Resources Committee.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are human resources implications arising directly from this report, in that pension matters affect most employees. HR department staff are fully involved in pension issues to ensure that human resources implications are taken into account.

5. EQUALITY IMPACT ASSESSMENT

An equality impact assessment has not been carried out as this is not a new policy.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

The Public Service Pensions Act 2013 introduced a framework for the governance and administration of public service pension schemes. This report aims to fulfil the requirement for Pension Board members to assist the Scheme Manager in ensuring that effective administration arrangements are in place.

8. RISK MANAGEMENT IMPLICATIONS

There are a number of risks relating to the firefighter pension schemes, and these have been presented to the Board in the form of a risk register. The Scheme Manager is responsible for ensuring that the risks identified are appropriately managed. All of the issues outlined in this report are being, or have been dealt with by close co-operation between the pension administration team and Officers.

9. RECOMMENDATIONS

That Board members note the content of this report.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

BECKY SMEATHERS
SCHEME MANAGER

Appendix 1

| Number | Risk | Level | Impact | Risk Score | Existing Controls | Revised Level | Revised Impact | Revised Score | Further Controls Required | Risk Owner |
|--------|--|-------|--------|------------|---|---------------|----------------|---------------|---------------------------|--|
| | Operational Risks | | | | | | | | | |
| 1 | Operational disaster fire/flood for example. | 1 | 5 | 5M | <p>Business continuity procedures in place for NFRS Pensions Administrator (LCC).</p> <p>Business continuity plans in place Finance and Payroll Team (NFRS). These were reviewed in September 2018.</p> | 1 | 3 | 3L | | <p>LCC Pensions Manager</p> <p>Head Of Finance</p> |

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|--------|---|-------|--------|------------|--|---------------|----------------|---------------|--|----------------|
| 2 | Member data and records incomplete or inaccurate. | 3 | 4 | 12 | <p>Full review of records undertaken post transfer of pension administration from NCC to LCC.</p> <p>Pension benefit statements issued on annual basis. Errors in records rectified and identified.</p> <p>Reconciliation to HMRC records 2017.</p> <p>Reconciliation between payroll and Administrator records.</p> <p>Internal Pension Audits undertaken 2017/18.</p> <p>Data audit to be undertaken during 2018/19.</p> <p>Moving towards Iconnect and monthly inputting of data.</p> | 2 | 4 | 8M | <p>Introduction of monthly or quarterly returns from NFRS to reduce risk of data errors or missing data and reduce impact of year end work. This is being progressed.</p> <p>Implement Data Improvement Plan once data audit complete.</p> | Scheme Manager |

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| 3 | Administration process failure/ maladministration | 3 | 4 | 12H | <p>Regional quarterly client meetings to discuss current pension issues.</p> <p>National advice and guidance from Pensions Adviser at the Local Government Association.</p> <p>Review of pension administration by internal auditors in March 2018.</p> <p>Quarterly meeting with NFRS and Service pension administrators.</p> <p>Completion and feedback from TPR Scheme Return</p> | 2 | 4 | 8M | Formal agreement in place with administrator to include SLA and performance indicators against defined criteria. | LCC Pensions Manager Scheme Manager |
| 4 | Incorrectly applied Tax Rules, including incorrect advice given to members. | 3 | 3 | 9H | <p>National pension training organised by scheme advisory board Autumn 2017.</p> <p>Attendance at training / conference events.</p> <p>Keeping up to date with information provided through circulars.</p> | 3 | 3 | 9H | Scheme Advisory Board looking at developing common list of benefits to be included in pensionable pay. | Scheme Manager |

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| 5 | New General Data Protection Regulation (GDPR) | 2 | 3 | 6M | <p>Staff being provided with appropriate training</p> <p>Covered within organisation's wider GDPR controls.</p> <p>Working with other Regional Fire Authorities to ensure compliance.</p> | 2 | 3 | 6M | <p>Consider as part of Data Audit planned early 2018/19.</p> <p>Data Improvement Plan being developed regionally.</p> <p>LGA working on template privacy notice, memorandum of understanding and other relevant documents.</p> | Scheme Manager |
| | | | | | | | | | | |
| | Financial Risks | | | | | | | | | |
| | | | | | | | | | | |
| 7 | Excessive charges by NFRS Pension Administrators. | 2 | 4 | 8M | <p>Annual review with NFRS Pension Administrators in relation to costs of service provision.</p> <p>Software providers now selected – will provide stability for 5 years with option to extend a further 5 years.</p> <p>1 year SLA implemented September 2017. It is intended that this will be replaced with a 2 year agreement.</p> | 2 | 3 | 6L | | Scheme Manager |

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| 8 | Sole pension software supplier. NFRS lack control over increase in costs for development work. | 4 | 4 | 16H | <p>NFRS pension administrators consult with NFRS when pension software development work required and the likely financial impact.</p> <p>Annual meeting with NFRS Pension Administrators to discuss potential development work required in next financial year and likely costs to be incurred.</p> <p>Existing software provider have been awarded contract for next 5 years, with option to extend for further 5 years, which would take the end date of the contract to March 2029.</p> | 2 | 4 | 8M | NFRS Pension Administrators tender for software provider when different suppliers enter the market. | Scheme Manager |

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| 9 | Fraudulent behaviour, including members forgetting to provide updated information | 1 | 4 | 4M | NFRS Internal financial processes. Check incoming and outgoing scheme funds against schemes forecast – reconciliation process. Forms part of 2018 Audit. | 1 | 3 | 3L | Conduct regular fraud monitoring process of incoming contributions payments against the schedule of contributions. Consider periodic information check with retired members. | Scheme Manager |
| 10 | Collection of Incorrect Employer Contributions | 2 | 3 | 6M | Ensure correct procedures in place – especially surrounding tapering between schemes. Received positive Internal Audit. | 2 | 3 | 6M | Include in future data audits. | Scheme Manager |

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| 11 | 4 Yearly Pension Scheme Valuation – Risk of increased contributions | 3 | 4 | 12VH | <p>LGA have sub group who work on behalf of authorities to challenge any assumptions made that will affect valuations.</p> <p>LGA have appointed independent Actuaries to verify figures and challenge GAD if necessary.</p> <p>HM issued draft directions in September 2018 which may have impact of increasing employer contributions.</p> | 4 | 4 | 16VH | | Scheme Manager |

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|--------|----------------------------------|-------|--------|------------|---|---------------|----------------|---------------|--|----------------|
| 12 | Pension fund accounting mistakes | 3 | 4 | 12VH | <p>Checks undertaken by accountancy and HR of ill health and injury charges which has shown they are charged to the Authority, not the Pension fund.</p> <p>GMP checks have highlighted prior year errors that have been corrected.</p> <p>Received positive internal audit</p> | 2 | 4 | 8H | Keep under review using national guidance, audits and reconciliations. | Scheme Manager |

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| | Governance, Regulatory and Compliance | | | | | | | | | |
| 13 | Failure to interpret rules or legislation correctly. | 4 | 5 | 20VH | <p>Regional quarterly client meetings to discuss current pension issues.</p> <p>National technical advice and guidance from Pensions Adviser at the Local Government Association and CLG.</p> <p>Attendance at national training events.</p> <p>Advice and guidance from pension regulator.</p> <p>Policies and procedures in place.</p> <p>Formal IDR process in place for addressing individual pension disputes</p> | 3 | 4 | 12H | | Scheme Manager |

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| 14 | Potential conflict of interest for members of Pension Board. | 2 | 4 | 8M | <p>Pension board members to declare any conflicts and potential conflicts of interest on appointment to the Board and on an ongoing basis.</p> <p>Pension Board conflict of interest register to be completed by Pension Board members.</p> <p>Members of Pension Board to declare any potential conflict of interest at Pension Board meetings.</p> <p>Conflict of interest policy has been adopted by the Board</p> <p>Forms part of Pension Regulator training</p> | 1 | 3 | 3L | | Scheme Manager |

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| 15 | Training and understanding of members of the pension board | 4 | 4 | 16H | National training provided by LGA Regional training on key topics. Training session undertaken as part 2 of each Pension Board Training Register kept up to date | 3 | 3 | 9M | Provide training to address knowledge gaps identified: on-going | Scheme Manager |
| 16 | High turnover of Board members | 2 | 3 | 6M | Ensure initial training available to new members to maintain knowledge of Board. | 2 | 3 | 6M | Will improve if Joint Board is set up successfully | Scheme Manager |
| 17 | Annual Benefits Statements to be issued by statutory deadline | 2 | 3 | 8M | Regular liaison between pension administrator and software supplier Data supplied by NFRS in accordance with template and subject to checking by pension administrator ABS 2017: statutory deadline achieved. ABS 2016: not achieved due to system problems which are now resolved | 2 | 4 | 8M | Moving towards implementation of IConnect and monthly inputting | Scheme Manager |

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| 18 | National GMP Reconciliation – risk that exercise will not be completed by December 2018 | 4 | 4 | 16H | <p>Progress on pensioner and deferred member cases has been good so far.</p> <p>Regional quarterly client meetings to discuss current pension issues will highlight any concerns at an early stage</p> <p>The Pensions Administrator has a dedicated resource working on this, and HMRC has outsourced some of the work to improve the timeliness of responses.</p> | 2 | 4 | 8M | | Scheme Manager |
| 19 | Communications with Members may not meet statutory requirements | 4 | 4 | 16H | <p>The Annual Benefits Statement is one form of communication, and this is already shown as a separate issue on the risk register</p> <p>Communications to starters, leavers and those whose circumstances change are generally good, with processes embedded.</p> | 3 | 4 | 12M | <p>Information about the Local Pension Board needs to be published.</p> <p>Members need to be informed of potential taxation issues.</p> | Scheme Manager |

Risk Scoring Matrix

