



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Local Firefighter Pension Board

# **FIREFIGHTER'S PENSION RISK REGISTER**

Report of the Scheme Manager

**Agenda Item No:**

**Date:** 14 March 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.
- 1.3 Previously, the Board has considered the Risk Register as part of the Current Pension Issues report on the agenda. At its meeting on 17 November 2017, the Pension Board agreed to have the Risk Register as a stand alone item in order to enable increased scrutiny of the document.

## 2. REPORT

### Developments since last meeting

- 2.1 The current risk register was reviewed in depth at the meeting on 17 November 2017 and is attached at Appendix 1. Changes and updates to the risks are provided in the following paragraphs.  
  
**Risk 2 - Member data and records incomplete or inaccurate**  
**Risk 3 - Administration process failure/ maladministration**
- 2.2 Internal Audit are undertaking an audit on the accuracy of pension and lump sum calculations, pension increases and application of correct contribution rates. This is due to be completed by the end of March and will help mitigate several of the risks in the register.
- 2.3 A further data audit is due to be undertaken in the new 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 Final audit reports 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 5 – General Data Protection Regulations (GDPR)**

2.7 The Local Government Association is working with a team of solicitors to produce a template privacy notice, memorandum of understanding and other documents necessary to assist compliance with the new GDPR which comes into operational in May 2018. Work with the Authorities data officer is ongoing to ensure compliance with the new regulations.

**Risk 8 - Sole pension software provider**

2.8 The outcome of the software tender is due to be announced by the end of March once final contractual points are finalised. The contract period is 5 years with an additional optional five years which will cover from April 2019 to March 2029. This will provide some certainty over the forthcoming years and it will be possible to review the risk factor to reflect reduced medium term risk once the contract is finalised. However, it should be noted that should there be any significant changes to legislation, for example, such as the discrimination challenge on the 2015 scheme, this would lead to significant additional costs.

**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
	<b>Operational Risks</b>									
1	Operational disaster fire/flood for example.	1	5	5M	Business continuity procedures in place for NFRS Pensions Administrator (LCC).  Business continuity plans in place Finance and Payroll Team (NFRS).	1	3	3L		LCC Pensions Manager  Head Of Finance

Number	Risk	Level	Impact	Risk Score	Existing Controls	Revised Level	Revised Impact	Revised Score	Further Controls Required	Risk Owner
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>Audit is currently being undertaken.</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 and is due to be implemented fully in April 2018.</p> <p>Implement Data Improvement Plan</p>	Scheme Manager

Number	Risk	Level	Impact	Risk Score	Existing Controls	Revised Level	Revised Impact	Revised Score	Further Controls Required	Risk Owner
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>	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

Number	Risk	Level	Impact	Risk Score	Existing Controls	Revised Level	Revised Impact	Revised Score	Further Controls Required	Risk Owner
5	New General Data Protection Regulation (GDPR)	2	3	6M	Staff being provided with appropriate training  Covered within organisation's wider GDPR controls	2	3	6M	Consider as part of Data Audit planned early 2018/19.  Data Improvement Plan being developed regionally.  LGA working on template privacy notice, memorandum of understanding and other relevant documents.	Scheme Manager
	<b>Financial Risks</b>									
7	Excessive charges by NFRS Pension Administrators.	2	4	8M	Annual review with NFRS Pension Administrators in relation to costs of service provision.  Participation in selection of software providers which is significant element of cost.  1 year SLA implemented September 2017, with view to moving to tri-annual agreement.	2	3	6L		Scheme Manager



Number	Risk	Level	Impact	Risk Score	Existing Controls	Revised Level	Revised Impact	Revised Score	Further Controls Required	Risk Owner
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>Software provider currently out to tender.</p>	4	4	16H	NFRS Pension Administrators tender for software provider when different suppliers enter the market.	Scheme Manager
9	Fraudulent behaviour, including members forgetting to provide updated information	1	4	4M	<p>NFRS Internal financial processes.</p> <p>Check incoming and outgoing scheme funds against schemes forecast – reconciliation process.</p> <p>Forms part of 2018 Audits.</p>	1	3	3L	<p>Conduct regular fraud monitoring process of incoming contributions payments against the schedule of contributions.</p> <p>Consider periodic information check with retired members.</p>	Scheme Manager
10	Collection of Incorrect Employer Contributions	2	3	6M	Ensure correct procedures in place – especially surrounding tapering between schemes.	2	3	6M	<p>Include in future data audits.</p> <p>Can review after 2018 audits.</p>	Scheme Manager



Number	Risk	Level	Impact	Risk Score	Existing Controls	Revised Level	Revised Impact	Revised Score	Further Controls Required	Risk Owner
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

Number	Risk	Level	Impact	Risk Score	Existing Controls	Revised Level	Revised Impact	Revised Score	Further Controls Required	Risk Owner
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

Number	Risk	Level	Impact	Risk Score	Existing Controls	Revised Level	Revised Impact	Revised Score	Further Controls Required	Risk Owner
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 – further software development required to achieve deadline for 31 <sup>st</sup> August 2017	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

Number	Risk	Level	Impact	Risk Score	Existing Controls	Revised Level	Revised Impact	Revised Score	Further Controls Required	Risk Owner
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

