

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

26 SEPTEMBER 2022

1. **THE PENSION REGULATOR SUPERVISORY REVIEW REPORT**

Report of the Chief Fire Officer.

RECOMMENDED

1.1 THAT the Committee note the content and recommendations of the 2020/21 Relationship Supervision Review report (the Review report) of the West Midlands Fire Service Firefighter Pension Scheme, provided by the Pension Regulator

1.2 THAT the Committee delegate responsibility for forming a draft action plan to the Pension Board for agreement by the Chair of Audit and Risk Committee, with further evaluation of progress against the action plan to take place at the next meeting of the Audit and Risk Committee meeting.

2. **PURPOSE OF REPORT**

2.1 This report is intended to support the presentation of the Pension Regulator's Review Report to the Audit and Risk Committee in their role as the West Midlands Fire Service Firefighter Pension Scheme Manager. Given the range of recommendations made within the Review Report, it suggests that Audit and Risk Committee delegate to Pension Board the creation of an Action Plan for agreement by the Committee Chair to be agreed with The Pension Regulator Supervisor within the next month, as set out within the Review Report next steps.

3. **BACKGROUND**

3.1 The Pension Regulator undertakes supervision of pension schemes it regulates to assess the risks and strengths of the schemes. It does this by reviewing areas such as the management and governance,

systems and processes, IT and infrastructure, control functions, administration and member communications. This is used to create supervisory reports which include recommendations for improvement. Schemes are expected to create action plans to address these recommendations.

- 3.2 The Pension Regulator began their latest supervision review with the West Midlands Fire Service Pension Scheme in March 2020, which included meetings with the Payroll and Pension Manager, and attendance at the 5 March 2020 Pension Board meeting.
- 3.3 The COVID-19 Pandemic interrupted the usual running of the review, although there were regular contact calls and the Pension Regulator team were able to review Scheme documentation in August 2021 and updated information in July 2022.

4. **FINDINGS AND RECOMMENDATIONS**

- 4.1 The Review report indicates an overall assessment of Management and Governance as **Amber** and of Systems and Processes as **Amber**. In total the report makes 17 recommendations to the Scheme Manager, Pension Board and Scheme administrators. An Amber rating indicates a potential gap in processes, tools or actions which could pose a risk to your ability to meet legal requirements or more generally achieve the standards we set out in our code.
- 4.2 The recommendations are summarised below. The full set of recommendations are included in the full Review report, which is included in **Appendix A**, attached alongside this report.
- 4.3 **Management and Governance**
- Pension Board (PB) to develop an annual training plan, which is reviewed on an ongoing annual basis; ensuring emerging themes, such as cyber security, are considered and knowledge gaps are incorporated to the plan through the annual appraisal process.
 - Develop a succession plan to ensure the PB retains appropriate skills to operate effectively, revisiting the tenure position
 - When managing any changes to the composition of the PB consider this from an ED&I angle to help enhance diversity and inclusion.
 - Moving forward as part of the Board review process consider the effectiveness of information sharing and where training can support and improve the overall PB performance.
 - Review of current BCP arrangements. The BCP should be regularly tested in full and procedural notes checked for accuracy.

- Recommend reviewing the quality and frequency of dialogue between the PB, Scheme Manager (SM) and the in-house administration team. This would be supported by a high-level narrative to help provide clarity on progress and emerging issues for pension meetings.
- Recommend the PB have a Conflicts of Interest register available, supported by a 'Record of Interests'. Document shared with TPR.
- For the Scheme's management of risk, we recommend incorporating the formatting suggestions to the risk register; consideration of corporate risks and their impact on the management of the Scheme and its members; cyber security is considered as a scheme risk including the assurances required for software providers and undertaking an internal review of the escalation processes. Following formatting suggestions, document to be shared with TPR.

4.4 **Systems and Processes**

- Recommend all records are digitised and accessible to support data collection, especially with readiness for Pensions Dashboard, and with the management of member data in relation to Remedy.
- Develop a Data Improvement policy to support the management and maintenance of high-quality data.
- Develop and implement a Data Improvement Plan in three to six months.
- Undertake a data review on an ongoing, annual basis.
- Record common and scheme specific (conditional) data scores in Exchange ideally within three months.
- Provide a supporting narrative to support KPI scores to help measure performance.
- Document and regularly review procedures for checking and validating data.
- Consider the use of automation in checking and managing data, as well as other functions of the in-house administrator to improve process efficiency and effectiveness.
- Document pension administrative task timescales to help all representatives meet and improve performance and consider implementing Firefighters Pension SAB Pensions Administration Strategy.

5. **NEXT STEPS**

- 5.1 The report requires that the Scheme Manager (Audit and Risk Committee) formulate an action plan to implement the

recommendations within approximately one month. A template action plan, provided by the TPR, is attached as **Appendix B**. Once agreed with the TPR Supervisor, it is expected that the recommendations will be implemented within three to six months.

- 5.2 It is recommended that the Audit and Risk Committee delegate responsibility for forming a draft action plan to the Pensions Board for agreement by the Chair of Audit and Risk Committee, with further evaluation of progress against the action plan to take place at the next meeting of the Audit and Risk Committee meeting.

6. **EQUALITY IMPACT ASSESSMENT**

- 6.1 In preparing this report an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report do not relate to a policy change.

7. **LEGAL IMPLICATIONS**

- 7.1 The Pension Regulator is the statutory regulator of public sector pension schemes such as the West Midlands Firefighter Pension Scheme. Supervision is the process by which the Regulator monitors schemes more closely, outlining expectations, and preventing problems from developing. Supervision involves building strong relationships with schemes regardless of whether they trigger traditional risk indicators. However, significant concerns and recommendations that are not fulfilled can be taken forward for enforcement action.

8. **FINANCIAL IMPLICATIONS**

- 8.1 There may be a number of financial implications as a consequence of implementing the recommendations, for example as a result of introducing new digital systems or making improvements to communications.

The contact officer for this report is Gary Taylor, Assistant Chief Fire Officer and Director, Service Delivery.

PHIL LOACH

CHIEF FIRE OFFICER