

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

20 MARCH 2023

1. PENSION BOARD UPDATE

Report of the Clerk to the Authority

RECOMMENDED

- 1.1 THAT Members note the March 2022 version of the Pension Board Risk Register included within Appendix A.
- 1.2 THAT Members note the progress on key actions included within the Pension Board Action Plan, which includes the specific Actions agreed with The Pension Regulator for completion by June 2023.
- 1.3 THAT Members note the Minutes of the Pension Board Meetings held on 20 September 2022 and 20 October 2022 (Appendix C and D).
- 1.4 THAT Members consider the feedback from the Pension Board regarding the future governance of the Scheme.

2. PURPOSE OF REPORT

- 2.1 To provide information on the work of the Pension Board to the Audit and Risk Committee in its capacity as the Scheme Manager for the West Midlands Firefighters' Pension Scheme.
- 2.2 To gain Scheme Manager input to the Action Plan and specific actions within it.

3. BACKGROUND

- 3.1 This is the first of what will become a regular update report from the Pension Board to the Audit and Risk Committee in its capacity

as the Scheme Manager. This report will be brought to all future Audit and Risk Committee meetings and contain some standard items. In doing so, it will meet the requirements of Actions D1, F and H2 in The Pension Regulator Action Plan agreed by the Audit and Risk Committee in November 2022.

- 3.2 Appendix A includes the Pension Board's Risk Register for note by the Committee. This was discussed at the March meeting of the Board's Risk Sub-Committee and will be updated at the 29 March Pension Board Meeting.
- 3.3 Appendix B contains the full Pension Board Action Plan. This incorporates the full Pension Regulator Action Plan. A number of actions from this will be addressed either by this update, or in other papers:
 - N1 & N2 – KPI Paper on the agenda of meeting on 20 March 2023
 - 15 – Covered below
- 3.4 A number of areas within The Pension Regulator Action Plan are ongoing and will be progressed in the coming weeks and months. The Scheme Manager is required to have completed or have a plan to complete all aspects by June 2023. An interim meeting was held by the Scheme Manager and Deputy Clerk with The Pension Regulator in February 2023 to discuss progress. The Regulator was satisfied with progress so far and will look to meet again in around three months' time to check progress again, with the expectation that most if not all areas of the action plan will be progressed.

4. **SCHEME GOVERNANCE**

- 4.1 Following a conversation at Pension Board meeting in September 2022, it was the view of Pension Board Scheme Member Representatives that the Scheme Manager should review the current governance arrangements, with a view to considering whether an individual, rather than an Authority Committee, would be better placed to take the delegated responsibility as Scheme Manager.
- 4.2 The Board members are of the view that the complexity and breadth of Pensions issues, in particular in relation to its

administration, have grown to such an extent that it is not reasonable to expect an Authority Committee, with multiple other commitments and minimal expertise, to undertake the role. Therefore, it is their view that someone with a specific finance background and a deeper understanding of the Pensions Sector would be better placed to act as Scheme Manager.

5. **EQUALITY IMPACT ASSESSMENT**

- 5.1 As this is an update report, no initial Equality Impact Assessment has been undertaken.

6. **LEGAL IMPLICATIONS**

- 6.1 The Pension Regulator has various enforcement powers under pensions legislation which they may utilise if a scheme breaches its legal duties or ensure compliance with its recommendations which are designed to ensure appropriate administration and governance of schemes.

7. **FINANCIAL IMPLICATIONS**

- 7.1 There are no financial implications associated with this update report

8. **ENVIRONMENTAL IMPLICATIONS**

- 8.1 There are no environmental implications associated with this update report.

BACKGROUND PAPERS

- [The Pension Regulator – About](#)
- Pension Board Risk Register – Appendix A
- Pension Board Action Plan – Appendix B
- Pension Board Minutes, September 2022 – Appendix C
- Pension Board Minutes, October 2022 – Appendix D

The contact for this report is Tom Embury, Deputy Clerk to the Authority

Karen Gowreesunker
CLERK TO THE AUTHORITY

APPENDIX A – Pension Board Risk Register: March 2023

Risk Area - OPERATIONS	Likelihood	Impact	Score	Change from previous review	Control	Owner	Assigned to	Test/Review	Mitigation	Comments
1. Operational disaster (i.e. flood/fire)	1	4	4	↔	Pension records stored electronically/via a server and not yet on the cloud. Data backed up regularly	Pension Provider (may be Scheme Manager)	Pensions Manager	Annual		2/2/2023. For Pension Board consideration/discussion:- Recommendation for risk to be included in bespoke Pensions BCP as suggested by The Pension Regulator (TPR) and agreed by Pensions Board at meeting on 8th December 2022, or, as risk is specifically around 'flood/fire' and paper records are no longer held - is this still considered a risk?
2. Member data incomplete or inaccurate	3	3	9	↔	Annual reconciliation of member data to ensure accuracy and resolve any gaps	Scheme Manager	Pensions Manager	Annual	Data to be checked as part of the annual ToR return. Results will be reported to the Pension Board	02/02/2023. Part of The Pension Regulator 6 Key Processes and to remain in register
					Address data cleanse completed annually	Pension Provider	Pensions Manager	Annual	Incorrect addresses investigated using a tracing agency	
					Robust payroll processes in place	Scheme Manager	Pensions Manager	Annual	To ensure accuracy of data sent to pension section	
3a. Administration Failure/Mal-administration	3	2	6	↔	All staff in Payroll and Pensions section are managed through organisational policies and process	Scheme Manager	Pensions Manager	Quarterly	Internal procedures are reviewed and audited annually as part of the normal audit cycle.	
3b.					Authority levels, financial controls and process within Oracle Fusion.	Scheme Manager/Provider		Annual	Forms part of the annual review of the Pay Policy statement.	2/2/2023. For Pension Board consideration:- Recommendation that when the Audit Report is completed, it comes to the attention of Pension Board via the Pension Manager update.
3c.					Review audit reports	Scheme Manager	Pensions Manager	Annual	Normal monthly payroll processing arrangements cover this issue.	
4. Computer system failure at pay date	1	4	4	↔	Pay the previous month pension from the file with adjustments for death or part period payments. If notification that system will not be available or when upgrade is going through at compliance date. Trial pay run can be used as 'actual' if testing fails	Scheme Manager	Pensions Manager	Annual	Covered within the services Business Continuity Plan	2/2/2023. For Pension Board consideration:- Should this risk be included in the bespoke Pensions BCP as suggested by TPR and agreed by Pension Board at meeting on 8th December 2022.
5. Failure to process BACS	2	4	8	↔	Internal process for ensuring that BACS has been sent.	Pension Provider	Pensions Manager	Annual	Controlled by the normal processing procedures and reviewed annually by Internal Audit	2/2/2023. For Pension Board consideration:- Recommendation to remove risk. Process now completed in-house with no reliance on third party.
6. Payment made to ineligible pensioner	3	3	9	↑	Annual certificate of identity process in place.	Pension Provider	Pensions Manager	Annual	Risk has been raised with SET Finance and Resources and new procedure to be implemented from October 2021	2/2/2023 and 6/3/2023. For Pension Board consideration:- Recommendation to reduce risk due to work that has taken place, or change risk score to - Likelihood 1 Impact 3
7. Fraud in Payroll office.	1	2	2	↓	Reconciliation with report from payroll system and excel spreadsheet balance each month	Strategic Enabler - Resources	Pensions Manager	Annual	Part of the services Financial controls. Subject to annual review by Internal Audit.	2/2/2023. For Pension Board consideration:- Recommendation to remove risk further to control included in risk 3.
8. Insufficient resource to enable function to meet requirements of Pension Regulator	2	2	4	↔	Structure and staffing of function under review	Strategic Enabler - Resources	Pensions Manager	As and when regulator requirements change	Issues reviewed by SET Finance and Resources as part of monthly meeting with Payroll and Pensions Manager and internal KPI's	2/2/2023. For Pension Board consideration:- Recruitment has taken place, which reduces likelihood. Recommendation to reduce risk score to - Likelihood 1 Impact 2/3.

OFFICIAL

9. Failure to produce Annual Benefit Statement	1	3	3	↔	Report to TPR. Keep scheme members and pension board informed of issue.	Scheme Manager	Pensions Manager	May - annually	Progress reported by Payroll and Pensions Manager to Employer Rep and monitored by board at regular intervals as agreed at first meeting of each year.	2/2/2023. Online delivery via Portal awaited. 'Go Live' via Member Self Serve with provider agreed as 1/3/2023.
11. Application of remedy (McLoud)	4	4	16	↑	Data, Governance, People and Systems	Scheme Manager	Pensions Manager	Ongoing	Ensure requisite numbers of skilled staff are available and that IT systems have been updated.	2/2/2023 and 6/3/2023. For Pension Board consideration:- risk score to remain same until complete. Those impacted historically have been managed, with application of McLoud Business as Usual.
14. Costs incurred due to failure to apply scheme/tax rules correctly or in a timely manner	1	3	3	↔	Keep up to date with changes. Attend regional meetings. Subscribe to knowledge hub. Subscribe to HMRC pension tax updates. pension board involvement. Access professional advice before proceeding.	Strategic Enabler - Resources (151 Officer)	Pensions Manager		Annual Audit	02/02/2023. Risk remains as is until there are no longer any members in the 1992 Firefighters Pension Scheme.
17. Failure to manage FPS fund correctly i.e. injury pension accounting	1	2	2	↔	Training – Guidance Fire Finance network links	Strategic Enabler - Resources (151 Officer)	Finance		Annual Audit	02/02/2023. For Pension Board consideration:- Recommendation to increase risk score to - Likelihood 3 Impact 3. This is due to the recruitment of a Senior Accountant and retirement of the 51 Officer at end of March 2023. Changes in personnel and responsibilities to be considered. Structural review to support succession planning being discussed. KPIs to be implemented, picking up disclosure regulations.
18. Failure to interpret rules or legislation correctly	3	2	6	↑	Central LGA resource and regional / national groups to assist with interpretation of rules and possible provision of legal opinion where this has been sought – with the caveat that each FRA should take own legal advice. Technical team of pension provider. Access to knowledge hub and HMRC pension tax updates. Training. Access professional legal/tax advice where necessary	Scheme Manager			Monthly management meeting between Payroll and Pensions Manager and Head of Human Resources. Annual Audit	2/2/2023 and 6/3/2023. No further legislation released. October 2023 release should confirm what is already known. Central resource (Clare Hey) at LGA leaving.
19. Failure to comply with disclosure requirements or communicate with staff	3	2	6	↑	Internal Dispute Resolution Procedure (IDRP) Communications with staff Annual Benefit Statements (ABS) HR processes in place for auto-enrolment and annual pension band changes mail merges	Scheme Manager	Pensions Manager		Reports to Pension Board. Risk	2/2/2023 and 6/3/2023. For Pension Board consideration:- Recommendation to reduce risk score on adoption of KPIs and data behind these.
20. Pension Board Resourcing/Succession Planning. Added 14/3/2022	4	3	12	↑	Discussion point at meeting on 28th March 2022. Employer (WBS) and employee (ER) positions to be filled.	Clerk to the Authority	Chair	As and when identified		2/2/2023 and 6/3/2023. Pension Board Ballot 2 for employee rep commenced 30/1/2023 closing at 17:00 hours 22nd February 2023. Paper to be presented to Scheme Manager to re-appoint Alan Tranter and Adam Harper for a further 3 year term. Chair position remains vacant.
21. Application of remedy (O'Brien). Added 14/3/2022	4	2	8	↑	Discussion point at meeting on 28th March 2022	Scheme Manager	Pensions Manager	Ongoing	Ensure requisite numbers of skilled staff are available and that IT systems have been updated.	2/2/2023 and 6/3/2023. No change due to waiting further instruction, which is not expected until at least October 2023.

APPENDIX B – Pension Board Action Plan: February 2023

Completed	Recently Updated	Missed completion date
-----------	------------------	------------------------

Ref	Date	Subject	Action	Responsible	Completion date / Suggested timeframe	Status [Ongoing / Completed]
Actions arising from The Pensions Regulator Supervisory Report 2020/21 on the West Midlands Firefighter Pension Scheme						
A1	11/11	Skills and Training	Pension Board (PB) and Scheme Manager (SM) to undertake Training Needs Analysis to set a baseline for development of future training plans. Previous templates exist that can be used.	Pension Board Chair and Scheme Manager	Undertaken by March 2023	Redrafted following discussions on 20 Jan and recirculated to Board for comment. Intend to complete in March 2023
A2	11/11	Pension Board Training and skills	PB to formalise their training plan, to be reviewed at least yearly, which will cover emerging themes, such as cyber security. This will be published on a joint Pension Board filing system/Teams site (see Recommendation D1) to ensure all PB member can review as required and bring forward suggestions for training and development.	Pension Board Chair	Implemented by end March 2023	Ongoing – LGA training booked for both PB and SM
B1	11/11	Pension Board Succession	Clerk and PSS to develop a succession plan for both Scheme Member and Employer representatives, including undertaking a revision of role descriptions. This will include a proposal for hand-over between departing representatives and their replacements.	Clerk and PSS supported by Pension Board	Implemented by March 2023	Ongoing
B2	11/11	Pension Board Succession	PB and SM to review Terms of Reference with regards to representative tenures to ensure these	Pension Board Chair and	Implemented by February 2023	Ongoing – not undertaken so far.

OFFICIAL

			are staggered and include a suitable handover period.	Scheme Manager		Wider review of Terms of Reference expected as part of wider Constitutional Review to be completed by June Authority AGM.
C	11/11	Pension Board Composition	Review appointment/election communications for Pension Board representatives to ensure they encourage diversity amongst the Pension Board membership and encourage the widest possible number and range of candidates to apply. TPR Equality, Diversity and Inclusion guidance to be utilised.	PSS/Pension Board/Portfolio Team	Implemented by January 2023	Completed – Election communications sent
D1	11/11	Pension Board Information Sharing	Review communications to Pensions Board and Scheme manager and ensure updates are provided when required.	Portfolio and Administration Teams	Implemented by March 2023	Ongoing – Action Plan now reported into Audit and Risk and all members notified by email of updates to Teams site.
D2	11/11	Pension Board Information Sharing	Pension Board members to review information sharing arrangements and PB representatives' views on information sharing, knowledge and skills, with input from Scheme Manager.	Pension Board and Scheme Manager	Held at March 2023 Pension Board meeting, with report into Audit and Risk Committee in May 2023	Ongoing – A&R timeline shifted to give time for report to be developed following PB meeting.
E1	11/11	Business Continuity Planning	Pensions Board to receive a report on current BCP arrangements and testing and review their effectiveness with a view to making recommendations to Scheme Manager on whether a bespoke BCP outside existing WMFS arrangements is necessary.	Pensions Board Chair and Pensions Manager	Update to December Pensions Board Meeting, report to Scheme Manager at March 2023 Audit and Risk Committee meeting	Ongoing – BCP report delivered to December PB. Additions suggested and to be added by March (see item 7 below)

OFFICIAL

E2	11/11	Business Continuity Planning	Pension Administration Team to develop and share with the Scheme Manager and Pension Board a set of procedural notes for key pensions administration tasks. Content may be impacted by implementation of remedy.	Pensions Administration Team	Update to March 2023 Audit and Risk Committee Meeting – subject to Remedy roll out.	Ongoing
F	11/11	Information Sharing between SM, PB and Pension Administration Team	Written (rather than verbal) reports to be provided by the Pension Team on key issues to both the Pension Board and Scheme Manager as a standing item for all meetings.	Pensions Administration Team	To begin from March 2023 Audit and Risk Committee	Partially Completed – format agreed and delivered to December Pension Board.
G	11/11	Conflicts of Interest	Conflict of Interest Register, based on the TPR template, to be created and stored on system where all PB members have access. Will be a standing item for all PB meetings. This document to be shared with The Pension Regulator.	Portfolio Team and Pensions Board	To begin from implementation of new system as of February 2023	Ongoing – Draft Conflict of Interest Register Circulated to PB members for submission at March Pension Board.
H1	11/11	Risk Management	<p>PB Risk Register Sub Group to consider TPR recommended changes or improvement in formatting of the Risk Register:</p> <ul style="list-style-type: none"> • utilising a cover sheet to provide a snapshot of the current risks, helping to clearly identify the current major risk(s) to the Scheme. The Scheme may wish to identify emerging risks in this location as well. • ensuring all risks have mitigating actions and owners • documenting closed risks <p>Incorporate relevant WMFS Corporate Risks within the PB Risk Register, to include Cyber Security (CR 7.3).</p>	Pensions Board RR sub group	Completed by January 2023	Complete – PB agreed to maintain current RR approach.

OFFICIAL

H2	11/11	Risk Management	PB Risk Register to be incorporated into Audit and Risk Committee risk updates.	Scheme Manager	To begin from March 2023 A&R Meeting	Ongoing – December PB Risk Register scheduled for March A&R.
I	11/11	Digitisation of records	All records to be digitised and accessible to support data collection.	Pensions Manager supported by Data and Governance Team	Completed	Completed
J	11/11	Data Improvement policy	Pensions Team to work with Data and Governance team on ensuring a Data Improvement Policy is in place for Pensions Data, either drawing on existing policy or developing a new policy if required. To be taken forward following roll out of ALTAIR update.	Pensions Administration Team & Data and Governance Team	Completed following implementation of new Altair system March 2023	Ongoing
K	11/11	Data Improvement Plan	Pensions Team, drawing on the Annual Data Review (Action L) to develop a Data Improvement Plan for any areas where data scores are not complete. This to be reported to both Scheme Manager and Pension Board, and shared with TPR. To be taken forward following roll out of ALTAIR update.	Pensions Administration Team	Following completion of Annual Data Review	Ongoing
L	11/11	Annual data review	Pensions Team to undertake a pension data review, to assess the accuracy and completeness of member data, to be reported to the Pension Board and Scheme Manager.	Pensions Administration Team	Completed by June 2023	Ongoing – date reviewed
M	11/11	Recording data scores	Pensions administration team to record common and scheme specific data scores gathered as part of the Annual Data review (Action L) in Exchange as part of annual return to The Pension Regulator.	Pensions Administration Team	Completed by June 2023	Ongoing – date reviewed

OFFICIAL

N1	11/11	Review of KPIs	Scheme Manager to inform Pensions Board which KPIs it wishes to have developed and to receive regular updates on. PB to develop and agree with Pensions Team, and utilise a traffic light system (RAG). A report on the proposed KPIs to go to the next Scheme Manager meeting for approval. Pension Board to be circulated report prior for amendments. Report to include the services current position to assess how to benchmark each KPI.	Scheme Manager, Pensions Board Chair and Pensions Administration Team	Completed by March 2023	Ongoing – Revised KPIs circulated to Pensions Board and to be taken to March A&R. Pensions team to add current figures as best possible.
N2	11/11	Supporting narrative to KPs	All Key Performance Indicators (provided with RAG rating) to be accompanied by appropriately detailed written narrative (which may be provided alongside a verbal update). This narrative to be provided to both the Scheme Manager and the Pension Board	Pensions Administration Team	Completed by March 2023	Ongoing – will be added to agreed KPI report in March
O	11/11	Documentation of Data validation procedures	Upgrade to ALTAIR information system will allow Scheme Members to update their own contact details. All members to be contacted by post to inform them of new system, with further investigation of failed deliveries. Update to be given on time frames for the new system / implementation to PB in December by Pension Team.	Pensions Administration Team	Update in December 2022, Trialled from February 2023	Ongoing – Trial with initial group of pensioners underway
P	11/11	Pension Process Automation	Pensions Team to provide a report to the Scheme Manager on automation and systems improvements achieved by implementation of ALTAIR system once in place.	Pensions administration team	Completed by June 2023	Ongoing

OFFICIAL

Q1	11/11	Administrative Task Timescales	Pensions Team to provide a report to the Scheme Manager setting out the expected task timescales (e.g., responses to queries), which will also be shared with Pension Board.	Pensions administration team	Completed by March 2023	Ongoing
Q2	11/11	Firefighter Pensions SAB Pensions Administration Strategy	Pensions Board to utilise FPS Administration, Management, and Governance Strategy template to create single documentation of roles and services standards. Document to be agreed by Scheme Manager and published on the WMFRA CMIS site.	Scheme Manager, Pension Board, Pension Team, Portfolio Team	Completed by March 2023	Ongoing – first draft shared with PB for comment
Actions arising from previous Pension Board meetings						
1	20/09	Member Self Service	Email update to the Board on timescales following team training in October on the Member Self Service.	Pensions Manager	Completed by November 2022	Update provided February 2023
2	08/12	Altair timescales	Update to be given on time frames for the Altair new system / implementation and elements around data once available.	Pensions Manager	Completed by March 2023	Ongoing
3	08/12	Members opt-out	A report is to be submitted to Audit and Risk Committee that included information circulated to employees to encourage them to remain in the scheme and what actions could be taken to keep them well informed before they decided to opt-out of their pension scheme.	Deputy Clerk / Pensions Manager	Completed by March 2023	Ongoing
4	08/12	Risk Register	Alan Tranter, Julie Felton and Paul Gwynn would continue to meet to discuss the risk register. Julie Felton will circulate 2023 dates for these meetings.	Employee/er representative and Pensions Manager	Completed by January 2023	Completed

OFFICIAL

5	08/12	IDRP's / Agendas	IDRPs to be added as a standing item on the agenda moving forward.	Democratic Services Officer/ Pensions Manager	Completed by March 2023	Completed
6	08/12	CCC Policy	The services CCC policy to be circulated to the Board to provide greater clarity on the process.	Deputy Clerk	Completed by December 2022	Completed
7	08/12	Business Cont. Plan	A separate plan on Pension administration be drafted.	Deputy Clerk/ Pensions Manager	Completed by March 2023	Ongoing
8	08/12	Actively updating data records	Pensions Manager to go back to all relevant individuals to ask them to update their records, with assistance from Julie Felton, to actively promote them to update their records.	Pensions Manager/ Admin Manager	Completed by March 2023	Ongoing
9	08/12	Employee representative(s) – tenure extension	Email Alan Tranter and Adam Harper for their confirmation of their request to extend their tenure on the Board, to submit to the Scheme Manager for approval.	Deputy Clerk	Completed by December 2022	Completed
10	08/12	External communications strategy	Develop external communications with the Communications Manager and circulate to the Board.	Deputy Clerk/ Senior Communications Manager	Completed by February 2023	Ongoing - Delayed
11	08/12	Regulators Code of Practice	Board to familiarise themselves with the revised Regulators Code of Practice.	Pension Board	Completed by March 2023 Board Meeting	Ongoing – link to code of practice shared.
12	08/12	LGA training	Book Alan Tranter and Adam Harper onto Staffordshire's LGA training, subject to availability. TPR six key principles be included in the March LGA training.	Democratic Services Officer	Completed by January 2023	March training request– completed. Jan Training undertaken

OFFICIAL

13	08/12	Training analysis	PSS/Deputy Clerk to develop the training analysis for Board Members.	Deputy Clerk/PSS	Completed by March 2023	Ongoing – revised training analysis created for March
14	08/12	Internal Investigation TOR	Subject to Cllr Miki approval, TOR to be publicly published on the Committee Management Information System.	Deputy Clerk/Democratic Services Officer	Completed by December 2022	Completed.
15	08/12	Change to governance process	Employee representatives view on a change to the governance process in regard to changing the Scheme Manager from a Committee to a single individual be reported into Audit and Risk Committee.	Deputy Clerk	Completed by March 2023	Ongoing
16	08/12	Pension Board administration	Pension Board meetings be arranged for a duration of two hours to ensure there is adequate time to discuss agenda items. Agendas to be issued five clear working days (seven days) before a meeting to align with statutory requirements for public meetings.	Democratic Services Officer	Completed by March 2023	Completed.

OFFICIAL