Supervisory review report to the Scheme Manager and Pension Board

Greater Manchester Firefighter Schemes
December 2020

Contents

Overview

We are pleased to provide the Scheme Manager and Pension Board with the results of the 2020 The Pension Regulator (TPR) relationship supervision review of the Greater Manchester Firefighter Schemes (referred to as "the Scheme" throughout this report).

The purpose of the review was for TPR to gain an understanding of, and to provide comments to the Scheme Manager and Pension Board on the Scheme's management and governance controls and systems and processes. The review provided the opportunity for TPR to understand how the Scheme Manager and Pension Board ensures compliance with legislation, adherence to codes of practice and the application of good industry practice. We acknowledge the cooperation of the Pension Board Chair, Scheme Manager and Payroll and Pension Manager in completing this review, and thank them for their time and willingness to share details on the Scheme.

It is important to note that this review was undertaken at a high level and for the above purpose only, based on meetings in January 2020 with Mandy Stevens, Head of HR (Delegated responsibility of Scheme Manager), Dawn Docx, Chair of the Pension Board and Deputy Chief Fire Officer and Penny Wright, Payroll and Pensions Manager. These meetings were supplemented by a review of the material listed in Appendix 2 as well as observing the February 2020 Pension Board meeting. The review is not an in-depth evaluation of all facets of the Scheme and is not intended to be used for any other purpose, relied upon by third parties, or replace audit requirements. Nor is it to be considered as an endorsement of the Scheme by TPR.

This report is based on information obtained before the Covid-19 pandemic. Since the pandemic began, we have maintained light-touch contact with the Scheme. The Scheme provided TPR with an update on how they have focused their activities on the key risks to pension savers and maintained their operation.

*Details of meetings and documentation are located in Appendix 1 and 2

Executive Summary

Overall we have found that the Scheme is well run and we have been impressed by the professionalism of the Scheme representatives we have met with. This was demonstrated in the clockwork nature and conduct in which the Board meetings were run, paperwork prepared in advance and the knowledge breadth shared when discussing matters, such as the McCloud remedy.

Through observation and discussion, the Scheme Manager has shown effective management and governance of the Scheme, excellent close working relationships between the Pension Board and in-house administrators, and close links with the Scheme Advisory Board (SAB) and training providers. This was demonstrated through the open and honest dialogue shared between the Chair, Scheme Manager and Payroll and Pensions Manager during our visit in January 2020, and the account of the close relationship with the SAB, whom were former members of the in-house pensions team.

From observation, the Scheme representatives closely monitor risks and are committed to ensuring the appropriate mitigations are in place to manage risks. There are appropriate controls in place to manage payments and contributions, as well as manage the members data and records.

We consider this Scheme to be operating and performing to our expectation, although there are a few areas where improvements can be considered or made. These have been outlined in this report. Many of these areas have already been raised and discussed with the Pension Board and the Scheme representatives and we recognise that in many instances steps will have already been taken, or are planned to be taken, to address them.

The following pages provide a high level summary of our findings across the two key areas in scope with our recommendations for improvement.

Key Findings

Areas of Focus: Management and Governance

The Pensions Regulator

Assessment: **Green**

Code of Practice 14 – Governing your scheme / Knowledge and understanding

Good governance involves having a motivated, knowledgeable and skilled pension board in place. It's also about having the right structures and processes to enable effective, timely decisions and risk management, in line with clear scheme objectives. Board members must remain current and up to date in their knowledge and understanding, reviewing at least annually and undertaking learning to fill any gaps identified.

Findings	Recommendations
The Scheme benefits from effective governance arrangements. This is evidenced from observation and engagement with the key Scheme representatives, who: - naturally demonstrated their expertise on matters such as the Scheme's terms of reference, - outlined and understood their processes, and - provided material on these processes to ensure others understood pension related matters and tasks. We found the Scheme Manager had been seeking guidance on several key management and governance documents to ensure internal processes were effective and up to date, which required advice from the Pension Board or suitable representatives. The documents were the Terms of Reference, Breaches of Law policy and form and Conflict of Interest policy and form.	We recommend the key documents listed are finalised as a matter of priority to help maintain clarity for Scheme representatives and members: - Pension Board Terms of Reference - Breaches of law policy and form - Conflict of Interest policy and form At the point of engagement, these documents had proposed updates in draft and were being discussed ahead of finalising. The Supervisor acknowledges the key documents in question are referenced in the Scheme's 'Updated Self Assessment 2019-2020' plan and are due to be progressed and finalised as priorities allow. For completeness, please share the final copies with TPR.

Key Findings

Assessment: Green

Code of Practice 14 – Governing your scheme / Knowledge and understanding

Findings	Recommendations
As observed, the Scheme benefits from a knowledgeable and professional Pensions Board and representatives; supplemented with close links to the Local Government Association (LGA) fire team, and by extension the Scheme Advisory Board. We are encouraged by the Scheme Manager's proactive approach taken to the provision of training. Training resources are available to assist Pension Board members with the self-certificated process of improving their knowledge and understanding – which includes completing the TPR public service toolkit. If unique issues are raised, bespoke training is arranged by the in-house administrator. Whilst training resources are available, there is an opportunity to develop broader plans to help hone individual development. The Supervisor notes an annual training plan was proposed in October 2019.	We encourage the Scheme Manager to continue the proactive approach to training for the those who are involved in the management and administration of the scheme. We recommend the Pension Board develops an annual training plan, as proposed in October 2019, and keeps records of all training undertaken. This will help to understand any knowledge gaps and identify training needs moving forward. Cyber security should continue to be part of the training plan. The training plan should be reviewed on a regular basis to ensure it is fit for purpose and includes training on any emerging themes. We recommend the Pension Board continues to meet with other Pension Boards to understand each other's approach to training. Any identified best practice should be incorporated into the training plan.

Key Findings

Areas of Focus: Management and Governance (cont'd)

Assessment: **Green**

Code of Practice 14 – Governing your scheme / Knowledge and understanding

Findings	Recommendations
The last internal effectiveness review for the Scheme was in 2017/2018. Encouragingly the review found that systems are sound and operating effectively. There were recommendations provided at the time to create and maintain procedural notes for pension related tasks. The majority of processes have a procedural note. These are maintained by the small in-house administration team. By maintaining the procedural notes the team can help ensure task consistency, as well as support business continuity plans, especially if resource is reduced or there is impact in a time of crisis. The Supervisor acknowledges that as the Scheme representatives are completing a self-assessment process, that this area may have already been considered as part of the general Scheme improvement plans.	We recommend where pensions processes do not have a formal procedural note, such as the method for checking data on salary deductions and rates, that these steps are documented formally. We recommend the procedure notes are reviewed on a regular basis, as determined by the Scheme Manager, to ensure they remain up-to-date and fit for purpose. We recommend the notes are produced in the next 3 to 6 months. For completeness, please share the final procedural notes with TPR.

Key Findings

Areas of Focus: Management and Governance (cont'd)

Assessment: **Green**

Code of Practice 14 – Governing your scheme / Knowledge and understanding

Findings	Recommendations
The Scheme Manager's approach to risk management is comprehensive with attention paid to each risk in detail at Pension Board meetings. Risks are monitored via the Scheme's risk register, with key risks added to the Greater Manchester Combined Authority's (GMCA)* risk register. We are encouraged by the team's use of an action log to supplement the risk register, ensuring steps are taken forward to assign, mitigate and manage risk between Pension Board meetings. We observed the Pension Board methodically discuss the action log with consideration provided by the Chair to ensure all those present understood the next steps. Cyber security is monitored as a Fire Authority, however cyber risk does not appear on the risk register for the Scheme. The Scheme agreed to add cyber security to the risk register. * The GMCA is the overarching public body responsible with oversight of the Manchester City Region.	We are supportive of the Scheme's approach to managing risk. To further improve, we recommend the Pension Board also take a holistic view of risk; ensuring oversight of GMCA risks are more broadly considered in terms of impact on the Scheme and its members. This will also help to identify and consider emerging or pertinent themes. We recommend cyber security is added to the Pension Board's risk register to ensure the Board are satisfied with current arrangements. It may be prudent to provide a short narrative on any of the overarching GMCA risks which the Pension Board may need to consider in their own management of risk. The salient points could be added to the Pension Board pack for discussion. (Continued overleaf)

Key Findings

Areas of Focus: Management and Governance (cont'd)   Assessment: Green

Code of Practice 14 – Governing your scheme / Knowledge and understanding

Findings	Recommendations
(Risk management continued)	To highlight the audit trail of discussion(s), proposal, decision and action in managing and mitigating risk, we recommend: - clearly numbering risks to link to minutes and agenda packs as relevant - using a similar RAG scoring system to the overarching GMCA risk register, to help the reader clearly identify the current biggest risk(s) to the Scheme - documenting closed risks, in a similar fashion to the GMCA risk register record. Once these formatting recommendations have been considered, the risk register should be finalised and shared with TPR for completeness.

Key Findings

Areas of Focus: Systems and Processes

Assessment: Green

Code of Practice 14 – Administration

Pension boards should consider administration as a substantive item at every meeting, with ongoing oversight of administration providers a priority. Processes for monitoring timeliness and accuracy of financial transactions, record keeping, administrative tasks and responses to member requests should be in place with regular MI reports received on performance of providers against agreed SLAs.

Findings	Recommendations
The in-house administrator has good internal controls for payments and contributions, with appropriate checks in place via a suitable hierarchy of senior officials. The administrator's Payroll and Pensions teams work closely together. Payroll is responsible for the salary deductions and the rates being applied, which are checked three times per year. The Pensions team makes additional checks should a member's salary change.	We recommend the procedure for checking payments is documented accordingly. This will help the wider team understand the task at hand, and will provide guidance to support ongoing business continuity plans and succession plans as personnel change. It will also help reduce any key person risks.

Key Findings

Areas of Focus: Systems and Processes (cont'd)

Assessment: **Green**

Code of Practice 14 – Administration

Findings	Recommendations
We are encouraged to see the in-house administrator reviews the Scheme's data twice a year; which is above the recommended level of an annual check. Internal systems are utilised to analyse pensions data, which is cross referenced to the payroll system as an additional check. A fresh internal audit of this area is due in 2020, but at the point of engagement with the in-house administrator the scope of the audit was uncertain. To help further improve record keeping and data integrity, the in-house administrator is exploring process automation within current internal systems. We are encouraged by this exploration as time saving efficiencies and the reduction of processing errors can benefit the team and members alike.	We recommend the procedure for checking data is documented accordingly, to ensure the wider team is aware of the task at hand, and to provide guidance to support ongoing business continuity plans and succession plans as personnel change. We recommend the scope of the audit covers the pensions functionality. We ask the Scheme Manager to update TPR on the scope of the internal audit and share any noteworthy findings into the exploration of automating data checks that benefit scheme management.

Key Findings

Areas of Focus: Systems and Processes (cont'd)

Assessment: **Green**

Code of Practice 14 – Administration

Findings	Recommendations
The in-house administrator use the Local Government Association (LGA) criteria list as a benchmark for recording data. The in-house administrator has a draft Data Improvement Plan which outlines the processes clearly for improving the Scheme's data scores (currently 98% common and 93% scheme-specific (conditional) data). The in-house administrator described the challenges it had with obtaining deferred member addresses. The plan intends to tackle this issue by clearly outlining the steps to interrogate in-house data systems to improve the data quality in this area. A further review will be undertaken by the Scheme once this exercise has been completed to see if a data tracing agency is required to help further improve member address data.	We recommend the Scheme Manager finalises the draft Data Improvement Plan and the in-house administrator actions this in the next 3 to 6 months. In line with TPR guidance the Data Improvement Plan should have a reasonable end date and the data should be reviewed as part of a continual improvement process. For completeness, please share the final plan with TPR.

Key Findings

Areas of Focus: Systems and Processes (cont'd)

Assessment: Green

Code of Practice 14 – Administration

Findings	Recommendations
The Scheme has an in-house administration service. During our evaluation meetings, we found the administrator referenced target timescales used to complete pension administration tasks. The timescales referenced were for processes including managing retirements, providing information requests and processing divorce tasks. We found the Payroll and Pensions Manager provided a verbal update at the Pension Board on the administration of the Scheme, and on this occasion, although a broad range of updates were covered, administrative task performance was not discussed.	We recommend the Scheme Manager ensures the in-house administration team documents pension administrative task timescales to support the broader exercise of documenting procedures and improving performance, as proposed on page 7 of this report. Although there is not a requirement for the Scheme to have a Pensions Admin Strategy, the Scheme may wish to outline processes and performance targets to help the Scheme Manager measure performance. This could form part of the Payroll and Pension Manager's Administration update at each Pension Board. This will allow the Scheme Manager to ensure legal timescales are adhered to, keep Pension Board members versed on timescale related performance, and help to identify any areas of training need.

Next steps

- Scheme Manager to formulate an action plan to address the following recommendations in the next 3 to 6 months

  Management and Governance – recommendations

  o A) Finalise the Pension Board's terms of reference, breach of law and conflict of interest documents
  o B) Develop a training plan and record all training undertaken, with regularly reviews to ensure the plan is fit for purpose and captures any emerging themes and identified best practice
  o C) Develop procedural notes to document processes for the in-house administrator's tasks in the next 3 to 6 months, which is to include a regular review to ensure the notes are fit for purpose and up-to-date
  o D) Consider GMCA risks, and how they may affect the Scheme. Provide supporting narrative where prudent
  o E) Add cyber security to the Pension Board risk register and consider other emerging risks
  o F) Assist the audit trail on risk discussions, by incorporating the formatting recommendations to the Scheme's recording of open and closed risks, such as incorporating the RAG scoring system.

Next steps

Systems and Processes – recommendations

- G) Document procedures for checking payments and checking data
- H) Share the scope of the 2020 internal audit with TPR
- I) Finalise the Data Improvement Plan and take forward the actions identified in the next 3 to 6 months
- J) Share noteworthy findings with TPR into any exploration of automating data processes
- K) Document the administrative task timeframes
- L) Share updated and final documents referenced in the report with TPR for completeness

- TPR Supervisor to arrange a suitable time to discuss the action plan and the Scheme's progress

Appendices

Appendix 1: Meetings held

29 January 2020 – Introduction and Evaluation meeting with Payroll and Pensions Manager

30 January 2020 – Introduction and Evaluation meeting with Chair of the Pension Board, Delegate Scheme Manager and Payroll and Pensions Manager

13 February 2020 – Greater Manchester Firefighter Scheme Pension Board meeting and observation

15 April 2020 – response to Covid-19 call to discuss response to pandemic. Informed Payroll & Pensions Manager about pausing relationship supervision engagement.

Appendix 2: Materials reviewed

GMF Pension Board Agenda 13.02.2020

Draft Minutes of GMFF Pension Board Wed 30th October 2019

GMFF Pension Board Pack Wed 30th October 2019

GMFF Pension Board Pack Wed 17th July 2019

Pension Board Action Sheet - July 2019 (002)

Minutes Pensions Board 17.07.19 (002)

Agenda for Pension Board 30th October 2019

Eversheds Pensions Speed Brief for LPB 16 March 2015

Pension Board Self Assessment 2019-2020 (002)

Draft Risk Register v.1 June 2019

Pension Board Training & Development Plan 2016-2019

9. GMFRS Self Assessment (002)

Draft Terms of Reference for Local Pensions Board

Guidance on creation of Local Pension Boards

4. Pension Board Action Sheet - January 2018

3. Minutes January 2018

Agenda for Pension Board Wed 17 July 2019

Pensions Discretions Report for 2015 Scheme for Decision

GMCA Discretionary Powers and Decisions

Conflict of Interest (inc potential) Register

Conflict of Interest policy

Reporting Breaches of the Law guidance

Breach Assessment Form

Management Summary on Effectiveness of Internal Controls

Internal Audit Report Pension Review issued May 2017

Main contact details for Greater Manchester Firefighters

Updated Self Assessment 2019-2020

Redacted GMFRS Risk Register Feb 2020

Newsletter April 2018 wording

Internal Disputes Resolution Procedures

IDRP Stage Two application

IDRP Stage One application

DRAFT Data Improvement Plan