

## NOTICE OF MEETING

<i>Meeting</i>	<b>HFRA Hampshire Firefighters' Pension Board</b>	<i>Clerk to the Hampshire Fire and Rescue Authority</i> <b>John Coughlan CBE</b>
<i>Date and Time</i>	<b>Thursday, 5th July, 2018 10.00 am</b>	<i>The Castle, Winchester</i>
<i>Place</i>	<b>Redbridge Fire Station, Redbridge Hill, Southampton</b>	<i>Hampshire SO23 8UJ</i>
<i>Enquiries to</i>	<b><u><a href="mailto:members.services@hants.gov.uk">members.services@hants.gov.uk</a></u></b>	

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## Agenda

### 1 **APOLOGIES FOR ABSENCE**

To receive any apologies for absence received.

### 2 **ELECTION OF CHAIRMAN**

To elect a Chairman of the Pension Board in accordance with the Terms of Reference until the first meeting of the Board following the 2019 HFRA AGM.

### 3 **ELECTION OF VICE-CHAIRMAN**

To elect a Vice-Chairman of the Pension Board in accordance with the Terms of Reference until the first meeting of the Board following the 2019 HFRA AGM.

**4 DECLARATIONS OF INTEREST**

To enable Members to disclose to the meeting any disclosable pecuniary interest they may have in any matter on the agenda for the meeting, where that interest is not already entered in the Authority's register of interests, and any other pecuniary or non-pecuniary interests in any such matter that Members may wish to disclose.

**5 MINUTES OF PREVIOUS MEETING (Pages 5 - 8)**

To confirm the minutes of the previous meeting.

**6 DEPUTATIONS**

Pursuant to Standing Order 19, to receive any deputations to this meeting.

**7 CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

**8 LEGISLATIVE CHANGES**

To receive a verbal update on relevant legislative changes.

**9 DATA ISSUES**

To receive a verbal update on data issues.

**10 COMMUNICATIONS**

To receive a verbal update on communication issues.

**11 RISK REGISTER (Pages 9 - 14)**

To receive a report providing an update on the Risk Register.

**12 FIRE PENSION BOARD ANNUAL REPORT (2017/18) (Pages 15 - 106)**

To receive the Fire Pension Board Annual Report for 2017/18.

**13 FIRE PENSION BOARD STATUS REPORT (Pages 107 - 154)**

To receive a report providing an update on the development of key issues.

**ABOUT THIS AGENDA:**

This agenda is available on the Hampshire Fire and Rescue Service website ([www.hantsfire.gov.uk](http://www.hantsfire.gov.uk)) and can be provided, on request, in alternative versions (such as large print, Braille or audio) and in alternative languages.

**ABOUT THIS MEETING**

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# Agenda Item 5

AT A MEETING of the HFRA Hampshire Firefighters' Pension Board held at the Fire and Police Headquarters, Eastleigh on Monday, 19th February, 2018

Chairman:

\* Stew Adamson

- \* Malcolm Eastwood
- \* Richard North
- \* Councillor Roger Price  
Alex Rhodes
- \* Tom Simms

\*Present

## 16. **APOLOGIES FOR ABSENCE**

Apologies were received from Alex Rhodes.

## 17. **DECLARATIONS OF INTEREST**

Members were mindful of their duty to disclose at the meeting any disclosable pecuniary interest they had in any matter on the agenda for the meeting, where that interest was not already entered in the Authority's register of interests, and their ability to disclose any other personal interests in any such matter that they might have wished to disclose.

No declarations of interest were received.

## 18. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were agreed and signed by the Chairman. In relation to a discussion about employer contributions at the previous meeting, Members felt it would be useful to include this as an agenda item at a future meeting.

## 19. **DEPUTATIONS**

There were no deputations received.

## 20. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman highlighted various areas of interests to Board Members which included the upcoming Home Office Pensions team visit to the Hampshire Fire and Rescue Service on the 6 March, which Pension Board Members were invited to attend.

The Chairman also drew attention to the recent tax seminar which had been held on a number of different dates.

Attention was also drawn to the scheme pay form in relation to allowances which is included in the annual benefits statement and the importance of personal responsibility and awareness in regards to multiple pensions such as an additional private pension. The Chairman informed Members that a more detailed discussion about communication and engagement would be covered in Item 7 on the agenda.

## 21. **SCHEME ADVISORY BOARD**

A verbal update was provided by Malcolm Eastwood to the Board as to the progress of the Scheme Advisory Board, which met four times a year, and held an annual seminar. It was heard that good progress was being made and the work of the three sub-groups of the Advisory Board covered cost-effectiveness, administration and benchmarking and local pension board effectiveness. In relation to the cost sub-group, it was noted that Actuary advice had been sought, which examined valuation figures before these were submitted to the Home Office. The importance of keeping within the cost cap was highlighted.

The work of the administration and benchmarking sub-group was also detailed, and it was heard that the mechanisms for examining the validity of data was a focus of the group as well as the accuracy of data. Malcolm highlighted the remit of the local pension board effectiveness sub-group which focussed on best practice and consistency.

A discussion ensued around how pensions are registered to ensure that pensions were not “lost” when a person moves house. *Malcolm to follow up the link between the national dashboard and the national pension finder service.*

## 22. **COMMUNICATION AND ADMINISTRATION**

The Chairman provided Board Members with a verbal update on communication and administration. It was heard that the HFRS portal would include a rolling headline feature on the home page which would raise awareness of key pension activity in a timely manner. Members were supportive of this and also discussed how to inform retired/deferred Members of the pension scheme with information and also ways of raising awareness of the pension scheme at Fire Stations.

The importance of personal responsibility for informing Pension Services of changes to personal information such as a new home address was reinforced, as this was imperative in ensuring information kept was current, and information sent out wouldn't be missed.

It was noted that the Claire Neale, the Employer Pension Manager, would link with Sam Hudson, the HFRS Communication Lead, to work closely in ensuring timely communication around key activities such as the issuing of Annual Benefit Statements.

## 23. **MEMBER SELF SERVICE**

In relation to Item 8 on the agenda, it was noted that this would be covered within Item 9 on the agenda.

## 24. **FIRE PENSION BOARD STATUS REPORT**

The report was introduced and Officers led Members through the report highlighting the development of key items. The position regarding additional pension benefits and temporary promotions was set out and Members noted that information on additional pension benefits would be provided at the next Pension Board meeting. Members also noted that in relation to ill health and injury pension review work, this was now being undertaken by Human Resources and the Board would be updated in due course.

Members discussed the new training needs analysis form which was set out at Appendix A. It was heard that this was required to be completed to demonstrate that the Board was addressing training needs. It was felt that a short training session would be useful, following on from some future formal meetings of the Board, and this would be factored in.

Members discussed the proposed Annual Allowance Factsheet (at Appendix B) which aimed to provide clarity to Pension Members around Annual Allowance (AA). The Pension Input Period (PIP) was explained and Members of the Board felt some clarification of the Standard AA table on page one of the factsheet was needed. With this clarification, Members were content to endorse the Annual Allowance Factsheet.

The position regarding other key issues such as Presentations, Surveys and Allowances was explained. Members heard that the Allowances and Additional Responsibility Allowances project was progressing and handbooks relating to pay and allowances and additional responsibility allowances were out to consultation with the Unions. New governance processes with more stringent controls would be put into place for Allowances and also Additional Responsibility Allowances, with the Blackburne Principles applied in each case.

The Board was updated on Annual Benefit Statements and Member Self Service and Members were pleased to hear that the registration process for Member Self Service would ensure an easier registration process for users. Communication to advertise the rollout of the new software upgrade and to encourage the use of this service would also take place.

Members were also updated on Guaranteed Minimum Pension (GMP) Reconciliation and it was noted that HMRC had given all Pension Services until December 2018 to reconcile their membership with HMRC records. Attention was drawn to Appendix C which detailed a timeline of statutory pension activities which was requested by Members at the previous Board meeting, and communications would be timed around these.

Appendix D of the report was highlighted, which set out a draft Opt Out Survey letter, and Members were invited to comment. Officers highlighted that there

was a spike in optant outs for 2016/17 for whole-time firefighters, and the opt out survey letter would be sent to those not in the Fire Pension Scheme and establish why they had chosen not to be a member. The Board raised questions regarding the statistics and the breakdown of these between the different watches, and different employment contracts. It was felt that clarification was needed in relation to the first bullet point in the letter at Appendix D, and Officers also noted that not all surveys sent out would be completed. With the clarification of the first bullet point in the survey letter, Members were content to endorse the opt out survey letter.

Members were also asked to endorse a new letterhead for use by Hampshire Pension Services, and new options for the letterhead were set out at Appendix E, alongside the current letterhead. Officers set out the reasons for the proposed changes to the letterhead and after discussion, Members of the Board were content with Fire Letterhead Option 2, but with the Hampshire Fire and Rescue Service logo on the top left hand side. With this change, Members were content to endorse Fire Letterhead Option 2.

RESOLVED:

That the HFRA Hampshire Firefighters' Pension Board recommends:

- (a) That the request for training as set out in paragraphs 5-6 and Appendix A be noted;
- (b) That the Annual Allowance factsheet, as set out in paragraphs 8-9 and Appendix B be endorsed;
- (c) That the timeline for Statutory pension deadlines, as set out in paragraph 30 and Appendix C be noted;
- (d) That with some further clarification, the opt out survey letter, as set out in paragraphs 31-33 and Appendix D be endorsed;
- (e) That with some formatting changes, the Fire Letterhead Option 2 as set out in paragraphs 34-37 and Appendix E be endorsed to be used by Pension Services.

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Chairman,





**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Purpose: Noted

Date **5 July 2018**

Title **RISK REGISTER REPORT**

Report of Chief Finance Officer

## SUMMARY

1. This report, together with attachments, provides the framework for the agenda item.

## RISK REGISTER

2. The Risk Register was set up and approved by the Fire Pension Board in July 2017. Since that time, there have been no changes to risk levels.
3. The Board are asked to review the risk register and to recommend any amendments, if applicable.

## RECOMMENDATION

4. The Board are asked to note the Risk Register in APPENDIX A.

## APPENDICES ATTACHED

5. APPENDIX A – Risk Register

Contact:

Claire Neale, Employer Pension Manager, [claire.neale@hants.gov.uk](mailto:claire.neale@hants.gov.uk),  
01962 845481

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		Impact					
		Negligible	Minor	Moderate	Major	Catastrophic	
		1	2	3	4	5	
Likelihood	Rare	1	1	2	3	4	5
	Unlikely	2	2	4	6	8	10
	Possible	3	3	6	9	12	15
	Likely	4	4	8	12	16	20
	Almost certain	5	5	10	15	20	25

Risk Register for Fire Pensions

Risk number	Date identified	Risk area	Risk description	Likelihood	Impact	Risk score	Control measure / mitigation	Likelihood after mitigation	Impact after mitigation	Risk score after mitigation	Risk owner
1	12/05/2017	Operations	Failure to administer the pension scheme in a proper and effective manner	2	3	6	<ul style="list-style-type: none"> <li>Liaison with employer</li> <li>End of Year</li> <li>Employer web (UPM access)</li> <li>Fire Employer Group &amp; Pensions Admin Group</li> <li>Fire Pension Board</li> <li>Management oversight and escalation to Rob Carr</li> <li>Diversification – we run a Shared Services arrangement</li> <li>Ability to call in temporary staff for peak workloads</li> <li>Business continuity plan</li> </ul>	1	3	3	Scheme Manager
2	12/05/2017	Financial	Failure to pay the right amounts on time and in line with legislation	3	3	9	Pensions Services: - <ul style="list-style-type: none"> <li>Testing software</li> <li>Internal and External Audits</li> <li>Standardisation of systems and processes</li> <li>All processes and calculation have a “doer” and a separate “checker”</li> <li>Monthly mortality screening for pensions in payment</li> <li>Declaration of Entitlement forms annually to pensioners and beneficiaries living overseas or upon mail being returned</li> <li>Participation in National Fraud Initiative reporting</li> </ul>	2	3	6	Pension Administrator
3	12/05/2017	Funding	Failure to adequately account for fund pension contributions	2	4	8	<ul style="list-style-type: none"> <li>Strong financial plan for HFRA</li> <li>Planned budget</li> <li>Aim to complete all Home Office returns on time</li> </ul>	1	4	4	Scheme Manager
4	12/05/2017	Regulatory and Compliance	Failure to identify and interpret and implement legislation correctly	3	4	12	<ul style="list-style-type: none"> <li>Scheme Advisory Board</li> <li>Local Government Association (LGA)</li> <li>Regional Fire Pension Officer Groups</li> <li>Fire Pension Board</li> <li>Employer Pension Manager as a dedicated resource liaising between                             <ul style="list-style-type: none"> <li>Fire Employer Group &amp; Pensions Admin Group, pulling together</li> <li>Key Accountabilities for IBC Pensions Admin Team, HR and Hampshire Pension Services</li> </ul> </li> </ul>	2	4	8	Scheme Manager

BEFORE MITIGATION		Impact				
		Negligible	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Likelihood	Rare	1				
	Unlikely	2			1. Failure to administer the pension scheme in a proper and effective manner	3. Failure to adequately account for fund pension contributions
	Possible	3			2. Failure to pay the right amounts on time and in line with legislation	4. Failure to identify and interpret and implement legislation correctly
	Likely	4				
	Almost certain	5				

AFTER MITIGATION		Impact				
		Negligible	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Likelihood	Rare	1			1. Failure to administer the pension scheme in a proper and effective manner	3. Failure to adequately account for fund pension contributions
	Unlikely	2			2. Failure to pay the right amounts on time and in line with legislation	4. Failure to identify and interpret and implement legislation correctly
	Possible	3				
	Likely	4				
	Almost certain	5				

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**HAMPSHIRE  
FIRE AND  
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Purpose: Noted

Date

**5 July 2018 (Hampshire Firefighters' Pension Board)**

**26 July 2018 (Standards & Governance Committee)**

Title **FIRE PENSION BOARD ANNUAL REPORT (2017/18)**

Report of Chief Finance Officer

## SUMMARY

1. This is the annual report from the Fire Pension Board to the Standards & Governance Committee, and summarises the work of the Board for 2017/18 financial year in the exercise of its functions.
2. This report provides an update on the progress of key issues during the reporting period.

## PENSION BOARD MEETINGS

3. The Pension Board met periodically during the 2017/18 financial year. Three meetings were held during the year:
  - (a) 17 July 2017
  - (b) 14 November 2017
  - (c) 7 February 2018
4. The meeting in July 2017 saw the election of Stew Adamson to chairman and Richard North to Vice-Chairman. Both will hold the position until the first meeting of the Fire Pension Board following the annual meeting of the Fire Authority in 2018.
5. The key items covered at these meetings are as follows, more detailed information about each of these items can be found later in the report.
  - (a) 30 year pension contribution holidays
  - (b) The Pension Regulator Self Assessment Tool
  - (c) Training for Board members
  - (d) Risk Register
  - (e) Scheme Reconciliation
  - (f) Opt Outs

- (g) Allowances
- (h) Annual Benefit Statements
- (i) Annual and Lifetime Allowance
- (j) Communication & engagement

6. The pension board reports can be found in APPENDIX A, B and C

#### 30 YEAR PENSION CONTRIBUTION HOLIDAY

- 7. It was reported to the Pension Board that the refund of pension contributions as a result of the 30 year rule had been completed. The final number of retired personnel in scope was 65. The number of affected personnel was lower than that previously reported following an audit of the data before cases were finally processed.
- 8. Repayments were made to 62 out of the 65 retired personnel. The outstanding three retired firefighters have not yet been paid as they did not return a signed HMRC declaration along with their bank details; this is despite three letters being sent to their home addresses using the Royal Mail 'signed-for' service. These are no longer being pursued
- 9. The total gross amount due to the 65 firefighters affected was £314,134; the net amount was £187,880. The relevant amounts were reported to the Home Office so that a refund can be given to HFRS
- 10. For employed firefighters who achieve 30 years service before their 50th birthday and who remain in the 1992 Fire Pension Scheme, a manual process has been introduced to cease pension contributions and re-commence again at age 50. There are currently 10 employees within scope and a further 11 have been identified.

#### THE PENSION REGULATOR (TPR) SELF ASSESSMENT

- 11. The TPR self assessment tool is a way of evaluating how the Fire Pension Scheme is being managed and where things can be improved.
- 12. The tool is split into three categories
  - (a) Governing your scheme
  - (b) Managing risks and issues
  - (c) Administration
- 13. The scoring is done on a RAG (Red, Amber and Green) status to help identify areas for improvement.



14. This table shows that there has been an improvement year on year

<b>Year</b>	<b>Green</b>	<b>Amber</b>	<b>Red</b>
2016/17	13	7	1
2017/18	17	3	1

15. At the end of 2017/18 there were three Amber and one Red item remaining. One of the Amber items relates to member communication being clear, accurate and easily accessible. This item has since been resolved with the launch of the Employer Pension Web pages. The remaining items are all under the Administration area and relate to record keeping.

## TRAINING

16. The TPR pension education portal has online training containing seven topics. The topics are:
- (a) Conflicts of interest
  - (b) Managing risk and controls
  - (c) Maintaining accurate member data
  - (d) Maintaining member contributions
  - (e) Providing information to members and others
  - (f) Resolving internal disputes
  - (g) Reporting breaches of law
17. Board members were invited to improve their knowledge and understanding by completing the different modules.
18. During the year, the Board received training covering the areas of Pension Sharing Orders, Employer decisions and discretions and Pensions and Tax. Board members were also invited to attend the Tax seminars provided by the Local Government Association (LGA).
19. Board members completed another Training Needs Analysis (TNA). This showed that knowledge had improved from the previous year and that there were no major issues that needed to be covered by specific additional training.

## RISK REGISTER

20. A key governance item that was missing, which was highlighted both on the TPR self assessment and the TPR's 2016 Scheme Administration survey, was a risk register.

21. A risk register was set up and the Board approved this at the meeting in July 2017.

#### SCHEME RECONCILIATION

22. The Fire Pension Schemes were Contracted Out between 6 April 1978 and 5 April 2016. For periods of service during these dates, the Fire Pension Schemes must provide a minimum pension called a Guaranteed Minimum Pension (GMP).
23. HMRC kept track of all liabilities for each individual in each Contracted Out pension scheme. When HMRC ceased Contracting Out from 6 April 2016 they also stopped tracking the movements of liabilities.
24. Every pension scheme that has been Contracted Out had to embark on a Scheme Reconciliation to reconcile their data with the data that HMRC held, this was not only membership periods for each person but also the relevant GMP amount. HMRC gave a deadline of December 2018 to complete this work.
25. The Board were updated about the Scheme Reconciliation project. In January 2015, Hampshire Pension Services received the “leaver data” from HMRC. This was anyone that had left Contracted Out service where HMRC had the GMP liability attributed to Hampshire Fire Pensions. Work on this data for Fire Pension Schemes was completed in May 2016.
26. Details of all “active members”, those that were contributing to a scheme on 6 April 2016, were sent to Pensions Services in April 2017. Hampshire Pension Services are now working with Civica and Intellica to enable records to be checked, queried and corrected where applicable.
27. The completion of the reconciliation of the Hampshire Fire Pension Scheme data is on track to be completed by December 2018.

#### OPT OUTS

28. During the year a lot of work was carried out looking at opt outs. Whilst it is expected to see a high number of retained firefighters that are not in the scheme, it is unusual to see high numbers of whole time fire fighters opting out.
29. In 2016/17 there was a spike in the optant out numbers. The Board were surprised to see that there were 59 opt outs of whole time fire fighters recorded. This accounted for 79% of opt outs in the year. Upon further analysis it was determined that almost all of these were a temporary or fixed term contract.

30. In December 2017 additional scrutiny of employees, roles and membership of pension schemes was undertaken. This showed that there were 1,119 firefighters employed in 1,395 roles, of which 709 were whole-time contracts and 686 were RDS contracts. Of the 1,395 roles, 209 are not in the Fire Pension Scheme
- (a) 129 RDS contracts are not in any Fire Pension Scheme, this is 19% of the RDS employments
  - (b) 80 whole-time contracts are not in any Fire Pension Scheme, this is 11% of the whole-time employments
  - (c) Overall there are 96 firefighters that are not in any Fire Pension Scheme at all, this is 9% of people
31. The Board were keen to understand why members were opting out of the scheme and asked that the 96 not in any scheme, were contacted by way of a survey to try and establish why they may have chosen to not be a member.

#### ALLOWANCES

32. A lot of work took place during 2017/18 regarding allowances which started with S&G Committee approving making the 10% training allowance pensionable from 1 April 2017.
33. It was reported to the Board that a number of firefighters were identified as receiving a 10% training allowance even though they were not working in the Academy. Due to the complexities arising a project board was formed to review various aspects including
- (a) Those receiving 10% allowance which is not for training
  - (b) USAR 20% allowance and its potential change to 10% allowance (which may or may not be pensionable)
  - (c) A review of the policy handbook including definitions and criteria
  - (d) A review of the governance around awarding an allowance
  - (e) A review of governance when the allowance no longer applies.
34. New handbooks for both allowances and ARA's were produced and went to Unions and Rep Bodies for consultation in February 2018.
35. The board heard that the project was on target to be implemented by 1 April 2018. The implementation would not only be the new handbooks but also a new governance process that will have more stringent controls for commencing or ceasing payment of an allowance, along with ongoing audit controls and any pension implications.

## ANNUAL BENEFIT STATEMENTS

36. The statutory deadline for issuing Annual Benefit Statements (ABS) is 31 August each year. It was reported to the Board that the 2017 deadline was met and that ABS' were issued to home addresses.
37. The Board also heard that the Employer Pension Manager has also been involved with providing feedback to Hampshire Pension Services with regard to improvements, wording and consistency for the 2018 statements

## ANNUAL AND LIFETIME ALLOWANCE

38. The statutory deadline to provide Pension Savings Statements is 6 October each year.
39. A Pension Savings Statement is automatically sent to a member where they have exceeded the Annual Allowance in the year, but can be sent to any member upon request; for 2016/17 10 Pension Savings Statements were issued to members of the Hampshire Fire Pension Schemes.
40. The issues around Annual Allowance (AA) and Lifetime Allowance (LTA) are very complex and the Board were in favour of the proposal to hold seminars for those that might be affected by the AA or LTA issue. They have also endorsed an Annual Allowance factsheet that has been drafted.

## COMMUNICATION

41. Communication about pensions to firefighters and internally across departments is an area that has seen much improvement in 2017/18. The Employer Pension Manager has been fundamental in delivering an enhanced communication approach through various strands which are detailed below in paragraphs 47 to 59.

## ACCOUNTABILITIES

42. It was reported to the Board that a lot of work had been undertaken to define the boundaries of the pension accountabilities across the different departments as there was generally a lot of confusion internally about who was responsible for what. There are three main areas:
  - (a) Hampshire Pension Services
  - (b) Shared Services IBC Pensions Administration Team
  - (c) Human Resources (HR)

43. Pensions Services are responsible for issuing Annual Benefit Statements, providing estimates and calculating retirement benefits, along with dealing with complex enquiries.
44. IBC Pensions Administration Team is effectively the payroll provider for HFRA. They provide the pension information, relating to pay and service to Pensions Services for new starters, leavers and retirements. They deal with those wanting to opt in or opt out of the scheme.
45. HR provides advice on pension policy and deal with any ill health retirements. They will provide instruction to the IBC Pensions Administration Team.
46. An accountabilities chart detailing who does what was drawn up. In July 2017 HR held two sessions for HR staff. The introduction by the Head of Finance covered the differences in the teams and started to address the issue of who does what. After this session, the chart was shared with the other departments.

#### FIRE PENSION LETTERHEAD

47. For many years, Hampshire Pension Services have been using the Hampshire Fire and Rescue Authority logo on their letterhead for written communication to operational Fire staff in one of the Fire Pension Schemes.
48. The same logo is used by the IBC and HR and as the employer it makes sense for the IBC and HR departments to use this logo.
49. The Board heard that confusion can arise as many staff do not appreciate that there is a difference between the employer and Pension Services, this issue is compounded by the fact that they appear to use the same headed paper and are based at the same address.
50. The Board endorsed a revised letterhead for Fire Pensions.

#### EMPLOYER PENSION WEB PAGES

51. It was reported to the Board that a suite of new Employer Pension web pages had been launched. Following positive feedback, they went live in August 2017.
52. The new Employer Pension web pages are accessible from the new Fire portal homepage and split into three sections to aid navigation. Under each of the sections there are a handful of key subjects, including requesting an estimate, when to leave or retire and who to contact.

53. The Employer Pension Manager receives page hits for these web pages which enables the content to be reviewed or updated where necessary.

#### EMPLOYER GROUPS

54. The Employer Pension Manager has set up Employer Pension groups which pull together representatives from HR, Finance, Hampshire Pension Services and IBC Pensions Admin. There are three groups; one for LGPS, one for Police and one for Fire; along with a Pensions Admin group.

55. The groups have been meeting monthly and keep track of pension related issues, provide updates as well as discussing upcoming items that may require communications to members or a more detailed piece of work.

56. These groups enable a complete overview of pensions, across all schemes and partners and ensure a level of consistency. They have also been instrumental in improving internal communications and collaborative working.

#### PRESENTATIONS

57. It was reported to the Board that the Employer Pension Manager has developed and delivered several presentations on Fire pensions. The table below shows the number of presentations delivered in 2017/18:

<b>Presentation</b>	<b>Number</b>
New Recruits	1
Pre-retirement courses	3
Mid career (visits to Gosport, Redbridge and Fareham stations)	3

58. The briefing for new recruits concentrates on the 2015 Fire Pension Scheme with details about the benefits that can be expected. The other presentations include information on all four Fire Pension Schemes and cover how the schemes work, examples of how benefits are calculated, along with a brief explanation of Annual and Life Time Allowances and HMRC maximum benefits.

59. The Board heard how these presentations have been very well received and well attended, with lots of questions and engagement from those that attended.

#### FUTURE ISSUES

60. The report has identified significant progress across a number of areas; this is largely due to the dedicated resource of the Employer Pension Manager which are secured until March 2019. The focus for the 2018/19 year includes:

- (a) Addressing the outstanding items from the TPR self assessment tool
- (b) Implementation of General Data Protection Regulations and relevant privacy notices
- (c) Rolling programme of pension communications
- (d) Opt out survey
- (e) Employer Pension web pages survey
- (f) Draft a Lifetime Allowance factsheet
- (g) Seminars for Annual & Lifetime Allowance issues
- (h) Injury pension reviews
- (i) Implementation of Member Portal (access to pensions online)

## CONCLUSION

- 61. 2017/18 has seen considerable improvement in governance and control along with substantial developments in the information that is available to firefighters about pensions.
- 62. For 2018/19 the year will be more about a period of continuous improvement and building on the foundations that have been put in place.

## RECOMMENDATION

(to the Hampshire Firefighters' Pension Board)

- 63. That the annual report is agreed for submission to the Standards and Governance Committee

(to the Standards and Governance Committee)

- 64. That the contents of this report are received and noted by the Standards & Governance Committee.
- 65. That the Standards & Governance Committee provides any feedback to the Fire Pension Board on previous work or on future areas of priority.

## APPENDICES ATTACHED

- 66. APPENDIX A – Fire Pension Board report 17 July 2017
- 67. APPENDIX B - Fire Pension Board report 14 November 2017
- 68. APPENDIX C – Fire Pension Board report 19 February 2018

Contact:

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01962 845481



## APPENDIX A



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Meeting: Hampshire Firefighters' Pension Board

Purpose: Decision

Date 17 JULY 2017

Title FIRE PENSION BOARD STATUS REPORT

Report of the Chief Financial Officer

### 1. SUMMARY

- 1.1 This report provides an update on the development of key items.
- 1.2 This report, together with attachments, provides the framework for this meeting agenda.

### 2. RECOMMENDATIONS

- 2.1 That the board is invited to note the content of this report, and confirm that they specifically support recommendations at:

Item 8.10 – Voluntary Scheme Pays (VSP) is allowed for any affected HFRS employee.

Item 9.5 - The board provide an opinion on whether members that are not in a pension scheme should be contacted to provide them with details of the benefits of the pension scheme.

Item 15.2 –To approve the Risk Register

### 3. THE PENSION REGULATOR (TPR) ONLINE PORTAL

- 3.1 At the last pension board meeting it was reported that the 2006 Fire Pension Scheme had still to be set up by TPR on their central database. This has since been achieved all schemes are now accessible through the online portal.
- 3.2 The TPR pensions education portal has online training containing seven topics, each topic takes around 30 minutes to complete; the topics are:

- Conflicts of interest
- Managing risk and controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of law

3.3 Board members are invited to improve their knowledge and understanding by completing the modules. Once all modules are complete, a certificate is available and this should be submitted for inclusion on the Board Member's training record.

#### 4. PRESENTATION FROM LPP

4.1 There has been interest to receive a presentation from LPP, an alternative pension provider, to understand how they see the Fire Pension administration developing in the future, and more specifically how they manage and administer their current business. The board will be invited to attend a separate meeting in due course.

#### 5. 30 YEAR PENSION CONTRIBUTION HOLIDAY

5.1 The refund of pension contributions as a result of the 30 year rule has now been completed. The final number of retired personnel in scope was 65. The number of affected personnel was lower than that previously reported following an audit of the data before cases were finally processed.

5.2 Repayments have been made to 62 out of the 65 retired personnel. The outstanding three retired firefighters have not yet been paid as they have not returned a signed HMRC declaration along with their bank details; this is despite three letters being sent to their home addresses using the Royal Mail 'signed-for' service. These are no longer being pursued.

5.3 The total gross amount due to the 65 firefighters affected was £314,134; the net amount was £187,880. So that a refund can be given to HFRS, the amounts have been notified to the Home Office.

5.4 For employed firefighters who achieve 30 years service before their 50th birthday and who remain in the 1992 Fire Pension Scheme, a manual process has been introduced to cease pension contributions and re-commence again

at age 50. There are currently 10 employees within scope and a further 11 have been identified.

## 6. UNAUTHORISED PAYMENTS

6.1 HMRC have now provided the final contract settlement amount in respect of the 4 outstanding unauthorised payment cases relating to retirements / re-employment cases dating back to 2010 to 2011.

6.2 A total payment of tax and interest amounting to £115,107 will be made within 30 days of receipt of the acceptance letter from HMRC. It is therefore anticipated that this matter will be concluded by the end of this month. A provision with the fire pension accounts of £142,000 more than covers the payment due to HMRC.

## 7. TRAINING ALLOWANCES

7.1 At the HFRS Standards & Governance Committee held on 23 March 2017 the recommendation to make the 10% training allowance pensionable was approved. Since this date work has been undertaken to amend the training allowance wage type within the payroll system so that it is included within the pension contribution calculation.

7.2 It is anticipated that this will be implemented in time for the July payroll and arrears between 1 April and 30 June will be collected. Members previously identified have been written to advising them of the delay.

7.3 As part of the work to determine eligibility a number of firefighters have been identified as receiving a 10% training allowance although they are not working within the academy. Work is underway to determine why a 10% allowance is being paid and whether it should continue.

7.4 There are potentially a further 13 firefighters who may be impacted and the board will be updated on the outcome of this work when it is completed by the HR department.

## 8. VOLUNTARY SCHEME PAYS

8.1 HMRC have set limits on the amount of pension savings that an employee can contribute in any tax year. This is called the Annual Allowance (AA) and is presently capped at £40,000.

- 8.2 The Government has now (for 2017/18) introduced a tapered AA for certain high earning employees which can have the effect of reducing the AA to £10,000
- 8.3 Where a member's pension contributions exceeds the AA in any one tax year and they do not have any unused allowances from the previous three years to cover the excess, then this will result in a tax charge.
- 8.4 The member can request that the scheme pays the tax charge on their behalf and as a consequence, the annual pension will have a permanent debit, this is known as Scheme Pays offset.
- 8.5 To enable the member to utilise the Mandatory Scheme Pays (MSP) option they must fulfil three criteria:
- (a) The tax charge must be greater than £2,000
  - (b) The pension savings must be greater than the AA limit for the year. Any tapered AA is ignored for this purpose.
  - (c) An election to use Scheme Pays must be made within the relevant deadlines.
- 8.6 Where a member does not meet the three criteria above, then this is considered to be Voluntary Scheme Pays (VSP) and it is this option which has led to some uncertainty.
- 8.7 VSP is likely to occur where either the tax charge is less than £2,000 or where the member has a tapered AA and exceeds this, but does not exceed the total limit.
- 8.8 The Local Government Association (LGA) has sought legal advice over whether Fire & Rescue Authorities (FRA) can utilise Voluntary Scheme Pays (VSP) and the advice received is attached in Appendix A.
- 8.9 Our interpretation of this advice is that an FRA can offer VSP to members, but it is up to each FRA to make their own decision. HCC Legal Services have confirmed that the advice provided from LGA is reasonable. A report will be provided to Standards & Governance Committee on 15 September 2017.
- 8.10 It is recommended that the pension board supports a recommendation to allow VSP for any affected HFRS employee.

## 9. OPT OUTS

9.1 During the period 1 July to 31 December, there were 55 opt outs from the 2015 Fire Pension Scheme as set out in the following table:

	Deferred pension entitlement	New joiner	Automatic re-enrolment	<b>Total</b>
Retained	3	1	5	<b>9</b>
Whole-Time	2	19	25	<b>46</b>
<b>Total</b>	<b>5</b>	<b>20</b>	<b>30</b>	<b>55</b>

9.2 Given that the automatic re-enrolment date was 1 October 2016 it is not surprising that the number of opt outs increased in this period. For information, the youngest was aged 21 and the oldest age 57. The average age of the optant out members was 38.

9.3 Currently there are 3,775 roles subject to the Fire Pension Schemes within Hampshire and a total of 1,365 are opted out (36%).

9.4 The majority of roles that are not in a pension scheme are retained roles; a member could be in a scheme in their whole time post but not their retained post.

9.5 The board are asked to consider if they have a view on whether members that are not in a pension scheme should be contacted to provide them with details of the benefits of the pension scheme.

## 10. CONTRIBUTION RATES PUBLIC SECTOR SCHEMES

10.1 Details of other public sector schemes contribution rates have been compiled. This can be found in Appendix B.

## 11. THE PENSION REGULATOR (TPR) SELF ASSESSMENT TOOL

11.1 In the last board report there was a summary of the amber and red items from the TPR self assessment survey, along with all the results of the survey.

11.2 The survey is split into three categories,

- Governing your scheme,
- Managing risks and issues and
- Administration.

11.3 To confirm that improvements have been made, the self assessment has been completed again. The board is invited to note that over the last four months, substantial progress has been made. The results are in Appendix C.

11.4 There are now three amber and one red item remaining. One of the amber items relates to member communications being clear, accurate and easily accessible. It is anticipated that this item will be resolved with the launch of the new Employer Pension web pages. The remaining amber and red items are all covered by the record keeping plan

## 12. RECORD KEEPING PLAN

12.1 The board report in February stated that the target date for completion of the record keeping plan was 31 March 2017.

12.2 The record keeping plan has not yet been completed partly due to a change in management of Pension Services and partly due to a decision to create a composite record keeping plan for all partners (HFRS, LGPS and Police).

12.3 There is a record keeping statement but there are no tools to assess the current position to develop an improvement plan.

12.4 Hampshire Pension Services were going to buy this service from South Yorkshire Pension Fund, but they have withdrawn this for the time being. Therefore the options available need to be reassessed.

## 13. EMPLOYER PENSION GROUPS

13.1 The Employer Pension Manager, Claire Neale, has been making good progress in her role. There have been some quick wins and some longer term items are in progress.

13.2 The Employer groups consisting of 3 groups; one for LGPS, one for Police and one for Fire; along with a Pensions Admin group were set up in April 2017 with Terms of Reference having been agreed for each of them.

- 13.3 Each of the groups meets monthly. They review an issues log and provide updates where necessary as well as discussing any upcoming items that may require communication to members or a more detailed piece of work.
- 13.4 Items are also referred to the Pensions Admin Group so that there is a complete overview for the Employer Pension Manager and Head of Finance.
- 13.5 The member estimate request process was identified as an immediate item that could be improved. The estimate request form has been re-drafted to accommodate all four schemes and this is now available upon request from members. This is an interim step as the form will be available via the new Employer pension pages once launched.

#### 14. PRESENTATIONS

- 14.1 The Employer Pension Manager has delivered some pension training to new recruits. The briefing covered the benefits of the new 2015 Fire Pension Scheme. This was well received and clearly shows that there is an appetite for pension information to be available.
- 14.2 The Employer Pension Manager has three pre-retirement courses lined up where a pension presentation will be delivered as part of the course. The first one is on 24 July.
- 14.3 The pre retirement course will cover most aspects of the four fire pension schemes including how the pension is calculated, the options with commutation, the HMRC limits, the retirement process, protected pension age and re-engagement issues, contacts and further information.

#### 15. RISK REGISTER

- 15.1 A risk register has been compiled and can be found in Appendix D.
- 15.2 It is recommended that the pension board approves the risk register.

#### 16. GOVERNANCE OF FIRE PENSIONS

- 16.1 At the last board meeting it was agreed that a governance chart would be prepared. This is attached in Appendix E and shows the relevant bodies involved in the governance of fire pensions, together with a brief summary of the roles and responsibilities for each body.

## 17. WEB PAGES / INTRANET ACCESS AND CONTENT

- 17.1 The Employer Pension Manager, in consultation with HR and other stakeholders has developed a new suite of Employer Pension web pages. This will replace what is already there but in a much more simplified format, with hopefully less confusing information.
- 17.2 The new pension pages will link from the new fire portal and will have three main sections with subheadings under each category.
- I want to....
  - Policies
  - Further information on....
- 17.3 Details of the tiles on the new web pages are in Appendix F. When a user clicks on each of these tiles, there will be some information provided; this could be outlining the process, a link to relevant forms / documents / web pages, or simply information.
- 17.4 The draft Employer Pension web pages can be found <http://hantsweb-staging.hants.gov.uk/hfrspensions>. Feedback from board members will be welcome before go live launch.
- 17.5 At go live, there will be communications sent out to not only to members, but also to HR, IBC Pensions Admin Team and Pensions Services to publicise the new pages. All parties will be asked to signpost members to these pages.
- 17.6 Feedback from all users on an ongoing basis will be useful and if there are changes required, then these can be made as and when required.
- 17.7 Continuing management and maintenance of the new web pages will be the responsibility of HR.

Contact:

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## APPENDIX A

# ‘Voluntary Scheme Pays’ in the Firefighters’ Pension Schemes

### Background

#### Mandatory Scheme Pays (‘MSP’)

1. Individuals whose annual growth in pension savings during the Scheme’s ‘Pension Input Period’ exceeds **HMRC’s standard Annual Allowance Limit (‘HMRC AA Limit’)**, currently set at £40,000, and who have no unused Annual Allowance to carry forward from the previous three tax years will be subject to an **Annual Allowance tax charge (‘AA tax charge’)**.
2. The individual can pay the AA tax charge from their own personal finances, however, the Finance Act 2004 provides that a pension scheme must provide a ‘Scheme Pays’ facility<sup>1</sup> where all of the following qualifying conditions are met:
  - (i) The HMRC AA limit (currently set at £40,000) has been exceeded in the pension scheme that the Scheme Pays election is made; and
  - (ii) An AA tax charge exceeding £2,000 has been triggered; and
  - (iii) The relevant time limits for making an election have been met.

#### Voluntary Scheme Pays ‘VSP’

3. Where a member does not meet the conditions for Mandatory Scheme Pays ‘MSP’ to apply or they do not make their nomination in time then a scheme may decide to pay the member’s annual allowance charge on a voluntary basis ‘VSP’.
4. Changes to the tax rules now mean that some high earning members with income of more than £150,000 per annum are now subject to a **Tapered Annual Allowance (‘tapered AA’)** which reduces from £40,000 to £10,000 incrementally for those earning between £150,000 and £210,000 per annum.

Members who are subject to a tapered AA will incur an AA tax charge where their pension growth exceeds their tapered AA. The tapered AA will be lower than the £40,000 HMRC AA limit and therefore these members cannot use MSP to pay this charge.

5. With the introduction of the 2015 Scheme, members of the 1992 Firefighters’ Pension Scheme (‘1992 Scheme’) and 2006 Firefighters’ Pensions Scheme (‘2006 Scheme’) who have transferred into the 2015 Scheme on or after 1 April 2015 will effectively be members of two pension schemes and will see pension benefit growth in both schemes until retirement:

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<sup>1</sup> A scheme pays facility works by having the pension fund pay the member’s tax charge initially. This is then repaid by the member as a debit is added to their pension once it comes into payment

By virtue of accruing their pension growth across two rather than one pension scheme, there is an increased likelihood that although the member's total annual pension growth across both schemes may exceed £40,000, the pension growth in any one of the schemes may fall short of the HMRC AA limit. As such, they will not be eligible to use MSP to pay the AA tax charge.

### Home Office Proposal

6. At their meeting of 6th March 2017, the Firefighters Scheme Advisory Board considered and agreed an initial proposal from the Home Office to amend the Firefighter Pension Regulations to allow the charge to be met in the circumstances below using Voluntary Scheme Pays (**VSP**)
  - (i) transitional members with pension growth of over £40,000 across both schemes (HMRC AA limit) and a corresponding tax charge, to use the scheme to pay this cost initially, before it is repaid by a pension debit added to the member's pension when it comes into payment
  - (ii) members subject to a tapered AA, to use the scheme to pay their charge initially and then this be repaid via a pension debit. For this option, it is also recommended that the member should be required to make an initial contribution of £2,000 from their own finances towards the resultant AA tax charge.
7. It is now for the Home Office to seek the new administration's views on the proposal after the General Election. Assuming this is taken forward the working assumption is that these changes would be introduced via an amendment to the pension scheme regulations rather than guidance. Legislative amendments take time and therefore will not be introduced in the short term.
8. **It is important to note that this is simply a proposal at this time and is not a guarantee that legislation will change. It will be dependent on a number of factors.**
9. Therefore unless or until that legislation is introduced it is for the FRA to consider their approach to this issue ensuring that what they do is both lawful and appropriate.

## Can an FRA operate Voluntary Scheme Pays?

10. This note therefore considers whether FRAs have the ability to offer **Voluntary Scheme Pays 'VSP'** without an amendment to the Firefighter Pension Regulations, and that it is both lawful and appropriate.
11. LGA has recently sought legal advice on behalf of English FRAs, in order to determine whether an FRA can offer voluntary scheme pays, without the need for a change to legislation.
- 12. The legal advice was prepared solely for the Local Government Association ("LGA"). Sharing of this legal advice does not amount to a waiver of legal privilege by Eversheds Sutherland.**
13. To operate voluntary scheme pays there are two different steps.
  1. The first is for the Fire Authority to pay the annual allowance charge on behalf of the scheme member to HMRC
  2. The second is for the Fire Authority to adjust the members benefit to reflect the payment made by the administrator

### **Step 1 – Can the Fire Authority satisfy a member's annual allowance charge on a voluntary basis?**

14. The legal advice we have sought opines 'yes, we consider that it is possible for an FRA to operate voluntary "scheme pays"'.

The instruction to Eversheds Sutherland from LGA was

*"Does a FRA have the power to agree to voluntary "scheme pays", taking into account both the relevant provisions of the FPS Regulations and the FRA's general powers, and to pay the member's tax liability from the Firefighters' Pension Fund (the "FPF") maintained under the FPS Regulations?"*

15. The short answer was 'yes' the longer answer (paraphrased) was 'yes because they have a power of general competence, which may be exercised reasonably where there are sufficient grounds for doing so'.

16. Extract from the 'executive summary' of the legal advice

3. In relation to the specific questions posed:

- 3.1 Yes, we consider that it is possible for a FRA to operate voluntary "scheme pays":

- 3.1.1 A FRA which is a county council in England can operate voluntary "scheme pays" relying on s.1 of the Localism Act 2011 and reg.2 of the Modification Regulations. It would be possible to construct an argument that the necessary powers are conferred by virtue of s.111 of the Local Government Act 1972, but the position is less clear-cut than under the Localism Act.

3.1.2 For those FRAs which are metropolitan county FRAs or created by Order as a combined FRA the power to operate such a scheme is derived from s.5A of the Fire and Rescue Services Act 2004 which was inserted by s.9 of the Localism Act 2011.

3.1.3 Where a FRA agrees to operate voluntary “scheme pays”, it can properly pay the amount of the tax charge which is due to HMRC from its FPF without contravening the FPS Regulations.

## 17. Extract from the ‘detailed advice’ of the legal advice

3.2 First, as regards the question of whether a FRA may agree to meet a member’s liability to the annual allowance charge, the arrangements for the administration of the FPS are set out in regulations which are complex in nature and very prescriptive. This is true of many areas of local government activity, and through the Localism Act 2011 the then Government introduced a means by which specific regimes can be supplemented by the exercise of a broad general power of competence for local authorities.

3.3 Those FRAs which are county councils may exercise this power to enter into the necessary arrangements with the member and HMRC. This power cannot be exercised where there is express prohibition of the action proposed. However, since there is no express prohibition of the action proposed here, the FRA may participate in such an arrangement.

3.4 The power of general competence, like all local authority powers, must be exercised reasonably. The FRA must be satisfied that there are sound reasons to make the payments and that the interests of the authority are not harmed by so doing.

3.5 We believe that there are sufficient grounds on which the authority could conclude that there are sound reasons for offering a voluntary “scheme pays” facility, given that (for instance) the effect of the recently introduced tapered annual allowance is that scheme members may now face a substantial tax charge without being able to access the mandatory “scheme pays” facility (because the latter provisions remain based upon the standard annual allowance). Similarly, the interests of the authority will not be harmed, provided that the authority is able to make a consequential adjustment under the Modification Regulations, because the payment will ultimately be met from the member’s benefit entitlement, and because the authority will have discretion as to when to offer voluntary “scheme pays”, meaning that the administrative burden of such arrangements can be retained within manageable bounds.

3.6 It should be noted that the Localism Act 2011 provisions apply only to English local authorities.

3.7 For those English fire and rescue authorities which are not county councils there is power in the Fire and Rescue Services Act 2004 to enter into voluntary “scheme pays” arrangements subject to the same principles and constraints as apply to county councils.

3.8 Section 5A of the Fire and Rescue Services Act 2004 was inserted by s.9 of the Localism Act 2011. This provides as follows:

***“Powers of certain fire and rescue authorities***

*(1) A relevant fire and rescue authority may do—*

*(a) anything it considers appropriate for the purposes of the carrying-out of any of its functions (its “functional purposes”),*

*(b) anything it considers appropriate for purposes incidental to its functional purposes,*

*(c) anything it considers appropriate for purposes indirectly incidental to its functional purposes through any number of removes,*

*(d) anything it considers to be connected with—*

*(i) any of its functions, or*

*(ii) anything it may do under paragraph (a), (b) or (c), and*

*(e) for a commercial purpose anything which it may do under any of paragraphs (a) to (d) otherwise than for a commercial purpose.*

*(2) A relevant fire and rescue authority's power under subsection (1) is in addition to, and is not limited by, the other powers of the authority.*

*(3) In this section “relevant fire and rescue authority” means a fire and rescue authority that is—*

*(a) a metropolitan county fire and rescue authority,*

*(b) the London Fire and Emergency Planning Authority,*

*(c) constituted by a scheme under section 2, or*

*(d) constituted by a scheme to which section 4 applies.”*

*[Sections 2 and 4 relate to combined FRAs.]*

3.9 Reliance upon s.111 of the Local Government Act 1972 requires the FRA to be satisfied that it is doing something *“which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions”*. The purpose of the incidental power is to enable actions to be taken in support of statutory functions, so it is necessary to identify the function before the authority can be said to be acting incidentally to it. The functions of a local authority acting as a FRA and as scheme administrator (for tax purposes) are defined by statute and regulation, and it can be argued that entry into a voluntary “scheme pays” arrangement is incidental or conducive to the performance of those functions (though the position is necessarily not as clear-cut as with the general power of competence under the Localism Act). Again, the test of reasonableness is to be applied.

**‘Exercised reasonably where there are sufficient grounds for doing so’**

18. The power of general competence that allows an FRA to satisfy an annual allowance charge on a voluntary basis, must be exercised reasonably and the FRA must be satisfied there are sound reasons for doing so.
19. LGA consider that the circumstances below proposed by the Home Office and agreed by the Scheme Advisory Board should be considered as sound reasons.
  - Transitional members with service in one of the 1992 or 2006 Schemes, and the 2015 Scheme, are able to access a VSP arrangement in the same way that a protected 1992 or 2006 scheme member, or a member with service only in the 2015 Scheme, can do so through Mandatory Scheme Pays.
  - Scheme members with a tapered annual allowance are able to use a VSP arrangement to pay a tax charge in a circumstance where the pension growth in one scheme (or more schemes) is less than the £40,000 general AA limit but more than their own tapered AA limit.
20. Any fire authority wishing to make a Voluntary Scheme Pays arrangement for reasons outside of the two listed are advised to consider whether to do so is a reasonable exercise of their powers and they would have sound reasons for doing so. For example they may not consider allowing a VSP arrangement for a member who would have been eligible for Mandatory Scheme Pays but did not notify the authority within the statutory limit to be a reasonable exercise of their powers.

## Step 2 – Can a fire authority adjust a members benefits to reflect the payment made?

21. Having established that the fire authority has the vires in order to satisfy the members charge. The second question for consideration, is does the Fire authority have the power to adjust the members benefit (ie the scheme pays debit) to recover the charge?
22. The Modification of Scheme Rules [SI 2011/1791], Rule 2, Paragraph 2 allows for such an adjustment to be made to the pension (ie the scheme pays debit)

*2.—(1) This regulation applies where a scheme administrator of a registered pension scheme (“the scheme”) satisfies all or part of a member’s liability to the annual allowance charge, either on a voluntary basis or pursuant to a liability under section 237B of the Finance Act 2004(1).*

*(2) The rules of the scheme shall be modified so as to allow for a consequential adjustment to be made to the entitlement of the member to benefits under the scheme on a basis that is just and reasonable having regard to normal actuarial practice. This paragraph is subject to paragraph (3).*

*(3) Any modification to the scheme’s rules made by virtue of paragraph (2) is subject to section 159 of the Pension Schemes Act 1993(2) or section 155 of the Pension Schemes (Northern Ireland) Act 1993(3) (inalienability of guaranteed minimum pension etc).*

23. The intent of this regulation is explicitly laid out in the explanatory memorandum paragraph 2.1

*This instrument provides that where a scheme administrator of a registered pension scheme satisfies an annual allowance charge on behalf of a member of the pension scheme from the member’s pension benefits, any rules of the pension scheme which prevent such an adjustment to the member’s pension benefits are modified to allow for such adjustments.*

### For the avoidance of doubt who is the ‘scheme administrator’?

24. The modification of scheme rules refers to the ‘scheme administrator’ for the avoidance of doubt, LGA sought legal guidance onto whom this refers in the case of a Fire Authority.

Does a FRA count as the “*scheme administrator*” for the purposes of reg.2(1) of The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 (the “**Modification Regulations**”), taking into account the effect of The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (the “**Split Scheme Regulations**”)?

25. The legal advice opines that the FRA in this case is the 'scheme administrator'.

4.1 Yes. The Split Scheme Regulations provide in reg.2(1)(a) that all registered pension schemes listed in Schedule 1 to the regulations are to be treated as "split schemes". Both the 1992 scheme and the 2015 scheme are listed by name, and although the 2006 scheme (the NFPS) is not expressly listed by name, it is clear that the intention is for the reference in Sch.1 to the "Firefighters Pension Scheme" to cover both the 1992 and the 2006 schemes, since reference is made expressly to s.34 of the Fire and Rescue Services Act 2004, which is the enabling legislation for the 2006 scheme.

4.2 On the basis that all three FPS schemes are to be treated as "split schemes", this therefore means that under reg.3(2) of the Split Scheme Regulations, in the provisions referred to in Schedule 3 to those regulations, *"any reference to the scheme administrator shall be read as a reference to the sub-scheme administrator"*. Schedule 3 includes the Modification Regulations.

4.3 Under reg.1, the "sub-scheme administrator" for a split scheme is *"the scheme administrator of a sub-scheme appointed in accordance with the rules of the split scheme to be responsible for the discharge of the functions conferred or imposed on the sub-scheme administrator by or under these Regulations"*.

4.4 In relation to the 2015 scheme, this is clearly the FRA as "scheme manager" for the purposes of the 2014 Regulations. Under reg.177 of the 2014 Regulations:

*"177 Scheme administrator for the purposes of the Finance Act 2004  
The scheme manager is appointed to be responsible for all liabilities and responsibilities connected with the functions conferred or imposed on the scheme administrator by or under Part 4 of FA 2004 which the scheme manager assumes as sub-scheme administrator under regulation 3 of, and Schedule 3 to, the Registered Pension Schemes (Splitting of Schemes) Regulations 2006."*

4.5 In relation to the 2006 scheme and the 1992 scheme, there is no explicit statement under either the 2006 Order or the 1992 Order confirming who is to act as scheme administrator for the purposes of the Finance Act 2004. However, given that under both sets of provisions, the FRA is expressly required to deduct tax / lifetime allowance charges which are due on any payments, it can be inferred that the intention was for the FRA also to be the scheme administrator for Finance Act purposes.

4.6 Therefore, a decision by a FRA to operate voluntary "scheme pays" would constitute a "scheme administrator" satisfying *"all or part of a member's liability to the annual allowance charge"* for the purposes of reg.2(1) of the Modification Regulations. As such, it would trigger the operation of reg.(2)(2), which would override the provisions of the FPS to the extent needed to make the *"consequential adjustment"* to the member's benefit entitlement.



## Summary

26. In certain circumstances, an individual cannot use Mandatory Scheme Pays 'MSP' to pay a relevant HMRC tax charge. This note considers whether an FRA can satisfy the tax charge on a members behalf using Voluntary Scheme Pays 'VSP'
27. The Home Office is considering amendment to the legislation that would allow an FRA to use 'VSP' in certain circumstances only. However, unless or until that legislation is introduced it is for the FRA to consider their approach to this issue ensuring that what they do is both lawful and appropriate.
28. Having taken Legal advice on behalf of FRA's, LGA can confirm that an FRA (including County Councils, combined Fire Authorities and Metropolitans) can offer Voluntary Scheme Pays arrangements in order to pay the tax bill where a member of the scheme cannot use mandatory scheme pays because they have a power of general competence, which may be exercised reasonably where there are sufficient grounds for doing so'.
29. It is considered that FRAs should consider the test of 'exercised reasonably where there are sufficient grounds for doing so' to be in line with the two circumstances proposed by the Home Office and agreed by the Scheme Advisory Board:
  - Transitional members with service in one of the 1992 or 2006 Schemes, and the 2015 Scheme, are able to access a VSP arrangement in the same way that a protected 1992 or 2006 scheme member, or a member with service only in the 2015 Scheme, can do so through Mandatory Scheme Pays.
  - Scheme members with a tapered annual allowance are able to use a VSP arrangement to pay a tax charge in a circumstance where the pension growth in one scheme (or more schemes) is less than the £40,000 general AA limit but more than their own tapered AA limit.
30. The Fire Authority as the 'scheme administrator' have an express power under Rule 2, paragraph 2 of the Modification of Scheme Regs SI 2011/1791, to allow for an adjustment to be made to the pension (ie in this case a scheme pays debit)

## Final Note

31. This note was prepared on 31st May 2017 for Fire Authorities consideration by the Local Government Association. It does not constitute legal advice and should not be treated as so.

## APPENDIX B

### Contribution rates

#### Parliamentary Contributory Pension Fund

#### Ministerial Pension Scheme

Rate	Percentage of ministerial pensionable pay	Accrual rate
Standard rate	11.9%	1/40 accrual
Middle rate	7.9%	1/50 accrual
Lower rate	5.9%	1/60 accrual

Ministerial position held	Additional contribution paid
Secretaries of State, Leader of the Opposition in the commons and Speaker in the house of Lords	2.4%
Ministers of State, Government Chief Whip, Leader of the Opposition in the Lords, Chairman of Committees of the House of Lords and Deputy Chairman of Committees of the House of Lords	1.6%
Parliamentary Under Secretaries, Government Whips and Opposition Whips.	1%

Ministers who are not MPs must choose accrual rate, otherwise accrual rate is same as for MPs Pension Scheme.

#### MPs Pension Scheme

Rate	Percentage of MPs pensionable pay	Accrual rate
Standard rate	13.75%	1/40 <sup>th</sup> accrual
Middle rate	9.75%	1/50 <sup>th</sup> accrual
Lower rate	7.75%	1/60 <sup>th</sup> accrual

#### New MPs Pension Scheme (CARE scheme from 08/05/2015)

Rate	Percentage of MPs pensionable pay	Accrual rate
Standard rate	11.09%	1/51 accrual

## Summary of MPs scheme

Rate	Ministerial Pension Scheme	MPs Pension Scheme	New MPs Pension Scheme
Standard rate	11.9%	13.75%	11.09%
Middle rate	7.9%	9.75%	-
Lower rate	5.9%	7.75%	-

Ministerial position held	Additional contribution paid
Secretaries of State, Leader of the Opposition in the commons and Speaker in the house of Lords	2.4%
Ministers of State, Government Chief Whip, Leader of the Opposition in the Lords, Chairman of Committees of the House of Lords and Deputy Chairman of Committees of the House of Lords	1.6%
Parliamentary Under Secretaries, Government Whips and Opposition Whips.	1%

## Civil Service Pension Scheme

Annualised rate of pensionable earnings	Classic, classic plus, premium, nuvos and alpha Member contribution rate
£0.00 to £15,000	4.60%
£15,001 to £21,422	4.60%
£21,423 to £51,005	5.45%
£51,006 to £150,000	7.35%
£150,001 and above	8.05%

## Teachers Pensions

Annual salary rate for eligible employment	Member contribution rate
Up to £25,999.99	7.4%
£26,000 to £34,999.99	8.6%
£35,000 to £41,499.99	9.6%
£41,500 to £54,999.99	10.2%
£55,000 to £74,999.99	11.3%
£75,000 and above	11.7%

## Local Government Pension Scheme

Actual pensionable pay	Contribution rate	
	Main Section	50/50 Section
Up to £13,600	5.5%	2.75%
£13,601 to £21,200	5.8%	2.9%
£21,201 to £34,400	6.5%	3.25%
£34,401 to £43,500	6.8%	3.4%
£43,501 to £60,700	8.5%	4.25%
£60,701 to £86,000	9.9%	4.95%
£86,001 to £101,200	10.5%	5.25%
£101,201 to £151,800	11.4%	5.70%
More than £151,801	12.5%	6.25%

## Fire Pension Schemes

### 1992 Scheme & Modified Scheme

Whole-time equivalent pensionable pay	Member contribution rate
Up to £15,454	11.00%
£15,454 to £21,636	12.20%
£21,636 to £30,909	14.20%
£30,909 to £41,212	14.70%
£41,212 to £51,515	15.20%
£51,515 to £61,818	15.50%
£61,818 to £103,030	16.00%
£103,030 to £123,636	16.50%
More than £123,636	17.00%

### 2006 scheme

Whole-time equivalent pensionable pay	Member contribution rate
Up to £15,454	8.50%
£15,454 to £21,636	9.40%
£21,636 to £30,909	10.40%
£30,909 to £41,212	10.90%
£41,212 to £51,515	11.20%
£51,515 to £61,818	11.30%
£61,818 to £103,030	11.70%
£103,030 to £123,636	12.10%
More than £123,636	12.50%

## 2015 scheme

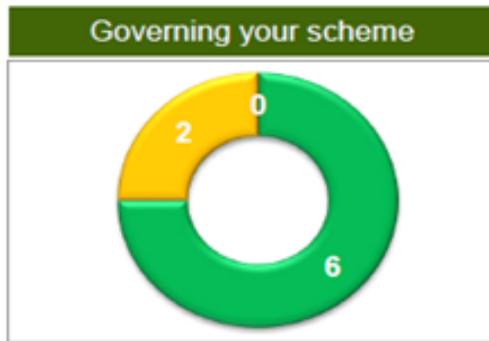
Whole-time equivalent pensionable pay	Member contribution rate
Up to £27,543	10.50%
£27,544 to £51,005	12.70%
£51,006 to £142,500	13.50%
£142,501 or more	14.50%

## APPENDIX C

### TPR Self assessment tool

Results in February 2017

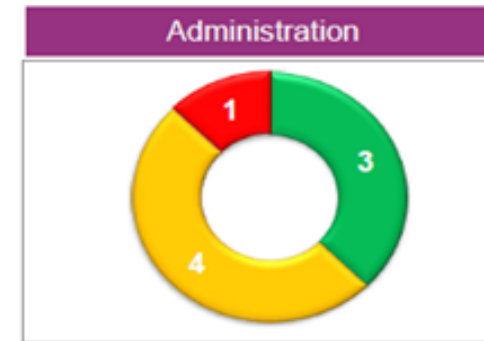
#### A summary of your results



Percentage of questions answered: **100%**



Percentage of questions answered: **100%**

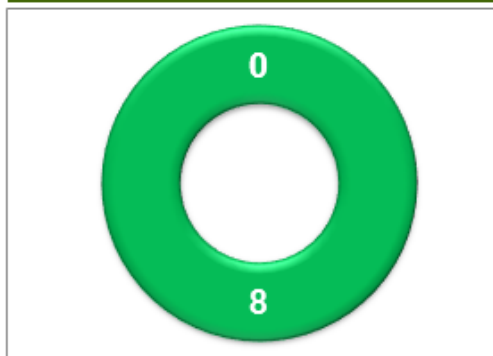


Percentage of questions answered: **100%**

Results in June 2017

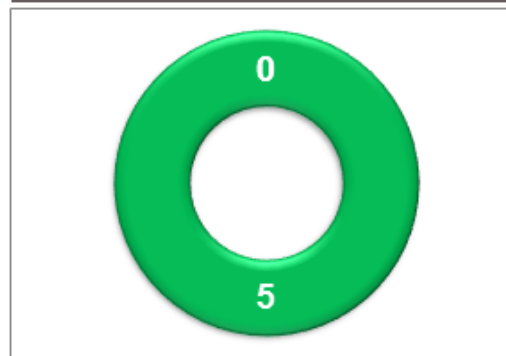
## A summary of your results

### Governing your scheme



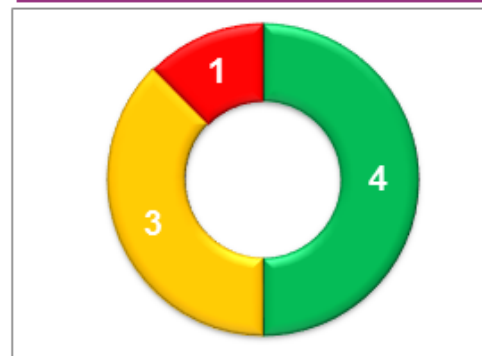
Percentage of questions answered: **100%**

### Managing risks and issues



Percentage of questions answered: **100%**

### Administration



Percentage of questions answered: **100%**

APPENDIX D

Risk Register

			Impact				
			Negligible	Minor	Moderate	Major	Catastrophic
			1	2	3	4	5
Likelihood	Rare	1	1	2	3	4	5
	Unlikely	2	2	4	6	8	10
	Possible	3	3	6	9	12	15
	Likely	4	4	8	12	16	20
	Almost certain	5	5	10	15	20	25



Risk Register for Fire Pensions

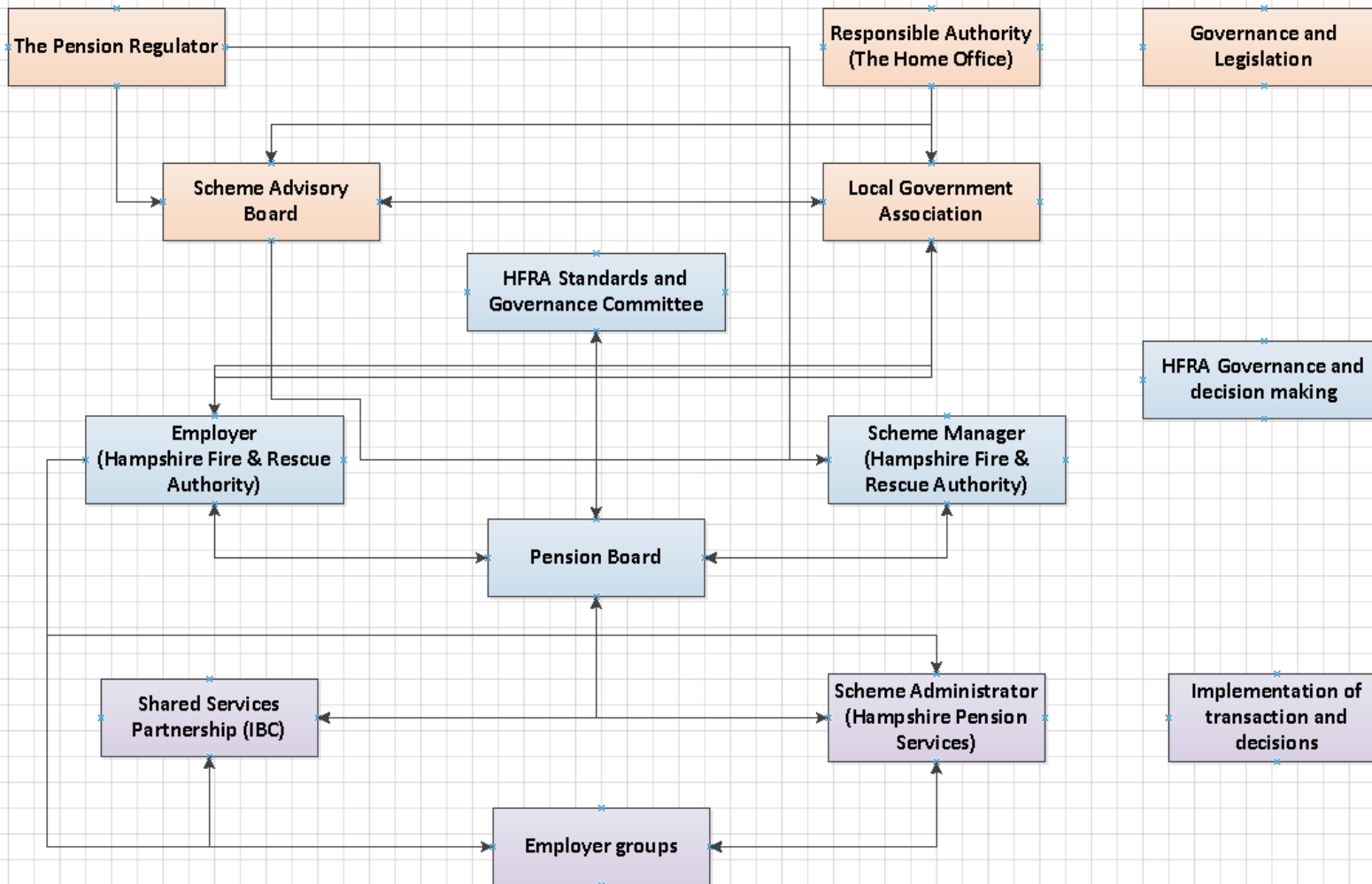
Risk number	Date identified	Risk area	Risk description	Likelihood	Impact	Risk score	Control measure / mitigation	Likelihood after mitigation	Impact after mitigation	Risk score after mitigation	Risk owner
1	12/05/2017	Operations	Failure to administer the pension scheme in a proper and effective manner	2	3	6	<ul style="list-style-type: none"> <li>• Liaison with employer</li> <li>• End of Year</li> <li>• Employer web (UPM access)</li> <li>• Fire Employer Group &amp; Pensions Admin Group</li> <li>• Fire Pension Board</li> <li>• Management oversight and escalation to Rob Carr</li> <li>• Diversification – we run a Shared Services arrangement</li> <li>• Ability to call in temporary staff for peak workloads</li> <li>• Business continuity plan</li> </ul>	1	3	3	Scheme Manager
2	12/05/2017	Financial	Failure to pay the right amounts on time and in line with legislation	3	3	9	<ul style="list-style-type: none"> <li>• Testing software</li> <li>• Internal and External Audits</li> <li>• Standardisation of systems and processes</li> <li>• All processes and calculation have a “doer” and a separate “checker”</li> <li>• Monthly mortality screening for pensions in payment</li> <li>• Declaration of Entitlement forms annually to pensioners and beneficiaries living overseas or upon mail being returned</li> <li>• Participation in National Fraud Initiative reporting</li> </ul>	2	3	6	Pension Administrator
3	12/05/2017	Funding	Failure to adequately account for fund pension contributions	2	4	8	<ul style="list-style-type: none"> <li>• Strong financial plan for HFRA</li> <li>• Planned budget</li> <li>• Aim to complete all Home Office returns on time</li> </ul>	1	4	4	Scheme Manager
4	12/05/2017	Regulatory and Compliance	Failure to identify and interpret and implement legislation correctly	3	4	12	<ul style="list-style-type: none"> <li>• Scheme Advisory Board</li> <li>• Local Government Association (LGA)</li> <li>• Regional Fire Pension Officer Groups</li> <li>• Fire Pension Board</li> <li>• Employer Pension Manager as a dedicated resource liaising between                             <ul style="list-style-type: none"> <li>o Fire Employer Group &amp; Pensions Admin Group, pulling together</li> <li>o Key Accountabilities for IBC Pensions Admin Team, HR and Hampshire Pension Services</li> </ul> </li> </ul>	2	4	8	Scheme Manager

BEFORE MITIGATION		Impact				
		Negligible	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Likelihood	Rare	1				
	Unlikely	2		1. Failure to administer the pension scheme in a proper and effective manner	3. Failure to adequately account for fund pension contributions	
	Possible	3		2. Failure to pay the right amounts on time and in line with legislation	4. Failure to identify and interpret and implement legislation correctly	
	Likely	4				
	Almost certain	5				
AFTER MITIGATION		Impact				
		1	2	3	4	5
Likelihood	Rare	1		1. Failure to administer the pension scheme in a proper and effective manner	3. Failure to adequately account for fund pension contributions	
	Unlikely	2		2. Failure to pay the right amounts on time and in line with legislation	4. Failure to identify and interpret and implement legislation correctly	
	Possible	3				
	Likely	4				
	Almost certain	5				

APPENDIX E

Governance

# Fire governance and how it works together



## **Governance - roles and responsibilities**

### **Responsible authority**

The responsible authority designs the scheme and determines the scheme regulations, which will specify the Scheme manager and the matters for which the Pension board is responsible. For the Firefighters Pension Schemes (England) the responsible authority is the Home Secretary (Home Office)

### **The Pensions Regulator**

The Pensions Regulator (TPR) is the public body that protects workplace pensions in the UK. Working with employers and those running pensions it aims to ensure that people can save safely for their retirement.

TPR is sponsored by the Department for Work and Pensions and works in partnership with a number of government and regulatory bodies, including the Home Office and Local Government Association (LGA) in respect of Fire Pension schemes. TPR directly regulates Scheme managers and pension boards, but will engage with other stakeholders.

### **Local Government Association (LGA)**

The LGA provides pension related guidance to Fire and Rescue authorities on Finance issues, authority discretions, technical advice and best practice.

Works on behalf of councils to ensure local government has a strong, credible voice with national government. LGA aims to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

### **Scheme advisory board (SAB)**

The scheme advisory board is responsible for advising the Responsible authority about possible scheme changes. In some schemes, the board may also advise Scheme managers and/or Pension boards on improving the administration and management of the scheme.

### **HFRA Standards and Governance Committee (S&GC)**

The S&GC oversees the discharge of the Authority's duty to promote and maintain high standards of conduct covering training, protocols adopted by the authority and related matters to enable high standards of conduct to be maintained.

Under the Governance heading the committee reviews and amends the corporate governance framework for the authority, including reports from the treasurer, internal audit, annual statement of accounts, risk management strategy and health & safety.

It approves the annual Operational Assurance statement (part of the requirements of the National Framework for the Fire and Rescue Service 2012).

## **Employer**

Responsible for discretionary policy decisions, implementation of policy and development of local procedures. Deals with appeals and disputes from members in accordance with established best practice.

## **Scheme manager**

The Scheme manager has overall management responsibility for the schemes. For the Firefighters Pension Scheme the administering authority is the Scheme manager.

## **Pension boards**

Pension boards are responsible for assisting the Scheme manager in securing compliance with:

- scheme regulations
- other governance and administration legislation
- any requirements of The Pensions Regulator
- additional matters, if specified by scheme regulations
- Pension boards need to have an equal number of employer representatives and member representatives. They may also have other types of members, such as independent experts.

## **Scheme administrators**

The scheme administrator keeps records, collects contributions from employers, calculates and pays benefits to members, deals with complex pension enquiries.

They provide Annual Benefit Statements to members in the autumn of each year.

## **Shared Services Partnership (IBC)**

The Pension Administration Team in the IBC deal with payroll related pension queries, e.g. pension deductions from salary, opting in or out of the scheme etc.

Annually they provide pay and pension contribution details for all members to the Scheme Administrator; this is an annual reconciliation of amounts paid.

When a member requires an estimate or leaves employment, they provide the necessary pay and service information to the scheme administrator.

## **Employer Groups**

The Employer Pension Manager provides a link between the Employer Groups for each of the partners, HR and all the Pensions administration teams. This enables a clear oversight of pension issues for all pension schemes.

The employer Groups provide a framework to consider an approach, development and provision of a joined up Pensions service for HFRA.

## APPENDIX F

### Website tree

#### I want to.....

Request an estimate	Join or opt in	Transfer in another pension
Request a Cash Equivalent Transfer Value (CETV)	Opt out	Leave or retire

#### Policies

Re-engagement after retirement	Temporary promotions	Contribution holidays
Firefighters pension discretionary policies	Firefighters compensation scheme	

#### Further information on.....

Firefighters contribution rates	Auto enrolment	Pension website and Pension board information
Annual Benefit Statements	When to leave or retire	Getting help



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Meeting: Hampshire Firefighters' Pension Board

Purpose: Noted

Date 17 JULY 2017

Title PENSIONS ADMINISTRATION UPDATE

Report of the Chief Financial Officer

### EXECUTIVE SUMMARY

1. The purpose of this paper is to update the local Hampshire Fire Pension Board on administrative performance for October 2016 to March 2017.

### BACKGROUND

2. Pensions Services administer the fire pension schemes on behalf of the Chief Fire Officer, under the Joint Working agreement between Hampshire County Council, Hampshire Fire & Rescue Authority (HFRA), the Police & Crime Commissioner for Hampshire and the Chief Constable of Hampshire Constabulary.
3. Responsibility for the fire schemes sits with HFRA as the scheme manager. Pensions Services therefore administer the schemes in accordance with the statutory regulations and any instructions from the HFRA on discretionary matters. HFRA are part of the shared services arrangements so all salary and service information required for pension calculations is provided to Pension by the IBC. Pensions also administer the LGPS for the Hampshire Pension Fund and the Hampshire police pension schemes.

### ADMINISTRATION PERFORMANCE

4. Pensions Services' administration performance against service standards for key casework is measured each month. This information is used internally to improve processes and will be reported to the Board in regular administration update reports.



5. The tables below show the performance for Q3 and Q4 2016/17.

Quarter 3

Type of case	Time to Complete						Total	On target?
	0-5 days	6-10 days	11-15 days	16-20 days	20-40 days	40 days plus		
Retirement	8	1	0	0	0	0	9	100.00
Deferred Retirement	0	0	0	0	0	0	0	100.00
Estimate	3	8	6	0	0	0	17	100.00
Deferred	7	1	2	0	0	0	10	100.00
Transfers	2	0	0	0	0	0	2	100.00
Divorce	5	0	0	0	0	0	5	100.00
<b>Grand Total</b>							<b>43</b>	

Quarter 4

Type of case	Time to Complete						Total	On target?
	0-5 days	6-10 days	11-15 days	16-20 days	20-40 days	40 days plus		
Retirement	7	1	0	0	0	0	8	100.00
Deferred Retirement	2	2	0	0	0	0	4	100.00
Estimate	6	8	5	1	0	0	20	100.00
Deferred	1	15	10	11	0	0	37	100.00
Transfers	2	0	0	0	0	0	2	100.00
Divorce	1	0	0	0	0	0	1	100.00
<b>Grand Total</b>							<b>72</b>	

6. The software supplier, Civica provided the deferment calculation for the 2015 scheme in January and the backlog of 93 deferred retirements were processed by March 2017.
7. Civica are working through a programme to deliver the necessary functionality to administer all the Fire pension schemes. The outstanding calculations are for the 2015 scheme but where possible the work is being done manually as these cases arise.

RECOMMENDATION

8. That the Board note the information contained in this report.

Contact:

Lois Downer, Deputy Head of Pensions, [lois.downer@hants.gov.uk](mailto:lois.downer@hants.gov.uk), 01962 847600



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Purpose: Decision

Date **14 NOVEMBER 2017**

Title **FIRE PENSION BOARD STATUS REPORT**

Report of Chief Finance Officer

### SUMMARY

1. This report provides an update on the development of key items
2. This report, together with attachments, provides the framework for this meeting agenda.

### TRANSITIONAL AUTO ENROLMENT

3. Transitional deferment with regard to auto enrolment was applied to 91 operational HFRA staff. This period of transitional deferment ended on 30 September 2017.
4. Employees that are an eligible jobholder, and have no record of a previous opt out date were auto-enrolled in the scheme on 1 October 2017.
5. The LGA are seeking clarification over what happens if a transitional employee is not an eligible jobholder on 1 October 2017, but becomes one at a later date. This is because the Pension Regulator guidance states that membership would have to be backdated to 1 October 2017 regardless of the date they become eligible.
6. To give you an example, the transitional employee is not an eligible jobholder on 1 October 2017, but becomes one on 1 December 2018. Pension contributions taken in December 2018 would therefore be backdated to 1 October 2017, meaning that 14 months arrears (1 October 2017 to 30 November 2017) would be taken along with the current month.

### NEW RECRUIT / TRANSFEREE

7. Where a new recruit to HFRA transfers from another FRA, they are entitled to retain membership of their existing pension scheme where service is continuous.

8. As part of the recruitment process a membership option form is required to be completed to enable
  - The IBC Pensions Administration Team to identify which scheme the member should be a part of, deduct the correct level of contributions and calculate the correct taper date where applicable
  - To enable Pensions Services to apply to the previous FRA for details of service and pension benefits.
9. The IBC Recruitment team were making changes to their processes so that new recruits would be asked to fill in an achieve form version of the membership option form. The submitted form would then automatically be sent to a mailbox that the IBC Pensions Administration team manage.
10. Unfortunately, this process was only put in place for recruitment of Police Officers and Fire was outside the scope of this project. However, IBC recruitment has now agreed that they will incorporate the paper version of the form into their processes.

#### SUPREME COURT JUDGEMENTS

11. There have been two judgements regarding partner pensions recently.
12. Early in 2017 a judgement was handed down in respect of the requirement for nomination for a survivor's pension to be made in the case of Brewster v NILGOSC.
13. This case was where a nomination form had not been completed for a co-habiting partner.
14. Due to different legislation for each of the schemes, the issue only affects the 2006 scheme for which the majority of the membership transferred to the 2015 scheme under the reforms. Therefore the potentially affected cohort is very small.
15. The approach that is recommended is that as and when a case is known, then legal advice may need to be sought until such time as amended legislation is brought into force. The Board are asked to support this recommendation.
16. In July 2017 the Supreme Court handed down a judgement in respect of benefits payable to a Civil Partner in the case of Walker v Innospec.
17. This case was where benefits payable to surviving spouses / partners differ depending on whether their relationship with the originating member was a civil partnership, same sex marriage or opposite sex marriage.

18. Again, the potentially affected cohort is believed to be relatively small and any impact minimised as the Fire Pension Schemes already base benefits on service from 6 April 1988 in such cases, where as Innospec only based benefits on service from December 2005.
19. Following this judgement, LGA understands that Government lawyers are considering the possible impacts the ruling will have on survivor pension rights offered by public service pension schemes, including the Fire Pension Schemes.

#### GENERAL DATA PROTECTION REGULATION (GDPR)

20. From 25 May 2018 the EU General Data Protection Regulation (GDPR) introduces new legislation governing the collection, use and processing of personal data.
21. While many of the provisions remain the same as the existing Data Protection Act, some new elements and significant enhancements will impose new responsibilities on schemes by granting a number of additional rights to data subjects.
22. Pensions Services have started working on a plan to determine what this means for them. In addition, the Chief Finance Officer has also contacted the Head of Risk and Information Governance as this will impact the whole of the County Council, and its partners.
23. More information can be found in APPENDIX A. It should be noted that although this has been written for LGPS administering authorities the same regulations will apply to the Fire Pension Schemes and the administrator.

#### OPT OUTS

24. Details of the historical opt out information between 2013/14 and the current year can be found in APPENDIX B.

#### PENSION ACCOUNTABILITIES

25. Work has been undertaken to define the boundaries of the pension accountabilities across different departments. There are three main areas
  - Pensions Services
  - IBC Pensions Administration Team
  - HR
26. Pensions Services are responsible for issuing Annual Benefit Statements, providing estimates and calculating retirement benefits, along with dealing with complex enquiries.

27. IBC Pensions Administration Team is effectively the payroll provider for HFRA. They provide the pension information, relating to pay and service to Pensions Services for new starters, leavers and retirements. They deal with those wanting to opt in or opt out of the scheme.
28. HR provides advice on pension policy and deal with any ill health retirements. They will provide instruction to the IBC Pensions Administration Team.
29. In July 2017, HR held two sessions for all HR staff on pensions. The introduction by Rob Carr covered the difference in the teams and started to address the issue of who does what for HR staff.

### ANNUAL BENEFIT STATEMENTS

30. The statutory deadline for issuing Annual Benefit Statements (ABS) is 31 August each year.
31. The Board will remember that for 2016, this deadline was not met and this subsequently resulted in a breach of law which was reported to the Pension Regulator. The outcome of which was that no further action would be taken as long as there was no repeat.
32. ABS' for members of the Fire Pension Schemes are posted to their home address as there is currently no pension member self service available. Although this is actively being considered at the present time by Pensions Services.
33. As the current home address for each member is held by the employer's payroll provider rather than Pensions Services, some communications were put out a few weeks before the issue of the ABS' to encourage individuals to check and update their home address within Employee Self Service (ESS).
34. The Board will be pleased to hear that the 31 August 2017 deadline was met and that ABS' were issued to home addresses provided by the employer's payroll provider, the IBC Pensions Administration Team.
35. There have only been a small number of queries about ABS' and most of these have been regarding pay, rather than the content of the ABS. It is not known if this is a positive sign or not. For example: -
  - Members do understand their ABS
  - Members have not looked at their ABS or
  - Members do not understand their ABS but have not raised a query
36. The Pension Board may wish to consider whether any additional communication is required to improve ABS statement awareness and whether any amendments to statements would be pertinent for next year to provide extra clarity or explanation.

## ANNUAL ALLOWANCE / LIFETIME ALLOWANCE

37. The statutory deadline to provide Pension Savings Statements is 6 October each year.
38. Pension Savings are calculated by assessing the difference in the value of the pension at the start of the Pension Input Period (PIP) and at the end of the PIP. The PIP runs from 6 April to 5 April.
39. This difference is called the Pension Input Amount (PIA) and the value of these Pension Savings, must not exceed the Annual Allowance (AA) limit for the year.
40. A Pension Savings Statement is automatically sent to a member where they have exceeded the Annual Allowance in the year, but can be sent to any member upon request.
41. This letter will inform the member if they have unused allowances from the previous three years that are available to offset any excess. It will also inform them if there is an excess which is taxable.
42. The letter that was issued for 2016/17 can be found in APPENDIX C. This is a complex area and the Board are invited to consider whether this communication could be improved. Although after feedback that Pension Services have received, they are already looking to improve the content of this letter.
43. Given the complexity, the Chief Finance Officer is proposing to hold seminars for those that might be affected by the AA issue and the Board are invited to support this proposal.

## PENSION BOARD TRAINING

44. Pension Board members have been invited to attend a tax seminar run by the LGA. Dates and booking instructions have been sent out by email.
45. The last training needs analysis (TNA) were completed in December 2016. Some training was delivered after the Fire Pension Board meetings in both February and July 2017.
46. Pension Board members will therefore be asked to complete a new TNA so that the improvement in knowledge and understanding can be recorded. The results will be collated and included with the Pension Board report in February 2018.

## ALLOWANCES

47. A review of allowances is underway. This work is much wider than Pensions, but the aspects mentioned in this report are items that have pension elements. There are various pension strands to this work
  - Those receiving a 10% allowance which is not for training
  - USAR 20% allowance and it's potential change to a 10% allowance (which may or may not be pensionable)
  - A review of the policy handbook including definitions and criteria
  - A review of the governance around awarding an allowance
  - A review of governance when the allowance no longer applies
48. Two workshops are being held on 3 November in order to baseline the allowances issues and start to formulate a robust set of rules and conditions. Area Managers, HR, Finance and other parties have been invited to these workshops.
49. This review is still in the early stages but is due to be completed by April 2018. Further updates will be provided to the Board at the next meeting.
50. Since commencing this review of the allowances, a number of issues have come to light that perhaps give cause to question whether earlier decisions with regard to making Temporary Promotions (TP) pensionable were correct and in the best interest of the membership.
51. There was a legislation amendment that took effect from 1 July 2013 that allowed HFRA to make a decision that temporary allowances (including TP) would be pensionable. This decision was made believing that it was the right thing to do for the firefighter.
52. With effect from 1 July 2013, where an allowance is temporary and pensionable then the firefighter receives an Additional Pension Benefit (APB) in respect of the additional payments. This is an amount that is added to the Annual Pension.
53. However, the APB may not be as beneficial to the member as was initially thought as the amount of APB the member receives is very small when compared to the high level of pension contributions that are paid. In addition to this, the impact of this decision has been far more complex to administer than could have been anticipated.
  - The payroll system is not configured in the most effective way to handle the different variations of schemes and temporary allowances
  - Information has to be extracted from the payroll system for purposes of estimates, leavers, retirements and End of Year data to Pensions Services

- Information has to be captured by Pensions Services and records updated accordingly
  - There is huge complexity around ensuring that when a member receives a temporary allowance, that they are given the correct pension benefit in return
54. The illustrations in APPENDIX D and APPENDIX E show the monetary value that is returned to the firefighter by way of an APB. The Board are invited to discuss their thoughts on this matter.

### ILL HEALTH AND INJURY PENSION REVIEWS

55. At the Fire Employer group meetings the issue of ill health pension reviews and injury pension reviews has been discussed.
56. Reviews of ill health pensions are not mandatory, but reviews of injury pensions are required. It would appear that HFRA have never carried out any reviews of pensions.
57. HFRA have a policy in place stating that ill health pensions will be reviewed in the 4<sup>th</sup> and 8<sup>th</sup> year of receipt and that injury awards will be reviewed in the 3<sup>rd</sup> and 5<sup>th</sup> year of receipt.
58. As an injury award is unlikely to be given without an ill health pension, this means that for a member that has an injury award, the injury award would be assessed in year 3, the ill health pension would be assessed in year 4, the injury award would be assessed again in year 5 and the ill health pension would be reassessed in year 8.
- The review of the injury award would be to determine if the degree of disablement should be increased, decreased or remain the same
  - The review of the ill health pension would be to determine if the ill health pension should continue and that would depend on general health and ability to work
59. HR Shared Services is responsible for managing both these types of reviews and notifying Pensions Services of any amendments affecting the award of benefits.
60. Details of those currently in receipt of Ill Health and Injury Pensions have been provided by Pensions Services and analysis of the numbers involved can be found in APPENDIX F.
61. There are a small number of cases where the ill health pension and the injury pension award are due to be reviewed over the next four years.



62. When an injury pension is awarded, before Pensions Services commence payment, they will ask the member to confirm what, if any, DWP benefits they are receiving in respect of the injury. Any amount of DWP benefits will be deducted from the injury pension.
63. In addition to the review of these cases, there also needs to be a regular exercise to obtain details of DWP benefits that are in payment to assess the amount of the injury pension that can be paid to the member. There are currently 90 injury pensions that are in payment.
64. No further assessment of the amount in payment currently falls under the responsibility of Pensions Services and this is not reviewed unless the member contacts Pensions Services with revised details.

#### LGA FIRE PENSION CONFERENCE

65. Both the Employer Pension Manager and the Finance Transformation Manager attended the LGA Fire Pension Conference in London on 9 and 10 October 2017. The Employer Pension Manager also attended the Fire Pensions Technical Group meeting on 9 October as a representative from the South East Fire Pensions Officer Group.
66. The first day of the conference had 4 main themes
  - Governance
  - Risk
  - Internal controls
  - Member communications
67. There were presentations from The Pensions Regulator, the chair of the Local Pension Boards Effectiveness Committee, the LGA Pensions Secretary and a Senior Adjudicator from the Pensions Ombudsman's office.
68. The second day saw a presentation from The Home Office and the Government Actuary's Department covering the valuation data at 31 March 2016. The cost cap for the scheme is set at 16.8% of pensionable pay, with a 2% tolerance. This presentation highlighted the fact that the scheme is very close to this. The Board may wish to note that any decisions around pensionable allowances and Temporary Promotions will have an effect on the cost cap.
69. The results of the valuation are expected in spring 2018.
70. There were also presentations from Eversheds Sutherland with a case law update, The Pensions Regulator regarding data and GDPR. There was a presentation from LGA about the ending of Contracting Out and the Guaranteed Minimum Pension (GMP) reconciliation.

71. There were also updates on both days from Clair Alcock LGA and Malcolm Eastwood in his capacity as chair of the Scheme Advisory Board (SAB). One exciting new development is the launch of the SAB website: [www.fpsboard.org](http://www.fpsboard.org).
72. It was a very informative conference with really good speakers, presentations, delegate interaction and networking. Board members are encouraged to consider attendance at the 2018 conference.

#### EMPLOYER PENSION WEB PAGES

73. At the Pension Board meeting in July, the new employer pension pages were launched and following positive feedback they went live on 16 August 2017.
74. The launch was publicised in communications on Yammer and Routine Notice.
75. Despite communicating the launch, the message about the available resources for fire-fighters does not appear to have hit the wider community.
76. Details of the “hits” on the new employer web pages between 1 August and 18 October can be seen in APPENDIX H.
77. The Pension Board may wish to consider obtaining some feedback on the new employer web pages and on pensions in general and whether sending out a survey may be useful.

#### PRESENTATION FROM LOCAL PENSION PARTNERSHIP (LPP)

78. George Graham, LPP’s Managing Director of the Administration Business visited on 29 September 2017 to present to the Board the LPP pension administrator business model.
79. Those that attended found that the presentation was disappointing both in the delivery and content. However, whilst the presentation did not offer anything new in the way of Pensions Administration, it did provide a framework for the Pension Board members to start to think about how things could be improved.
80. Engagement and communication were two key themes that came out of the meeting and are areas that can be focused on going forward.

#### PENSION PRESENTATIONS

81. The Employer Pension Manager held the first Fire Pension Schemes pre retirement presentation in July 2017.

82. The presentation included all four schemes, covering how the schemes worked, how benefits are calculated with actual examples, Life Time and Annual Allowances, HMRC maximum benefits, as well as things like the retirement process, and what happens after retirement. This was extremely well received and there were plenty of questions that were asked.
83. All attendees were provided with an individual estimate of their retirement benefits which was distributed after the presentation concluded. The Employer Pension Manager spent additional time after the session speaking to each person about their personal circumstances.
84. The next pre-retirement pension presentation is scheduled on 15 November 2017.
85. The Employer Pension Manager will be attending Gosport Fire Station on 23 November 2017 to give a pension presentation and to hold a Q&A session. There is also another session at Redbridge Fire Station planned for 6 December 2017.

#### ENGAGEMENT AND COMMUNICATION

86. In the communication that launched the new employer fire pension web pages, reference was made about the available resources that firefighters have access to. The communication that went into routine notice is included in APPENDIX G.
87. The Pension Board should now consider what approach they want to take with regard to engaging individuals and how information about pensions could be more effectively communicated, utilising the resources that are available

#### RECOMMENDATION

88. That the approach to co-habiting partners, as set out in paragraphs 12-15 be approved by Hampshire Fire Pension Board

## APPENDICES ATTACHED

89. APPENDIX A – GDPR – Actions for administering Authorities
90. APPENDIX B – Opt Out historical data summary
91. APPENDIX C – Blank template letter for Annual Allowance
92. APPENDIX D – 1992 Scheme APB example
93. APPENDIX E – 2006 Scheme APB example
94. APPENDIX F – Ill Health and Injury Pension review data summary
95. APPENDIX G – Website communications
96. APPENDIX H – Employer Pension Web page data

Contact:

Claire Neale, Employer Pension Manager, [claire.neale@hants.gov.uk](mailto:claire.neale@hants.gov.uk),  
01962 845481

# General Data Protection Regulation Compliance Actions for Administering Authorities in the LGPS

## Why Is Data Protection So Important?

Pension schemes necessarily hold and process significant amounts of personal data relating to members. As a matter of good governance, it is important that member data is safeguarded. There is already a legal obligation on LGPS Fund Administering Authorities to keep member data secure, but new legislation will come into force in May 2018 that will have a significant impact on the obligations of Administering Authorities and the potential financial penalties if they get it wrong.

## The GDPR and LGPS Administering Authorities

The General Data Protection Regulation (GDPR) will have direct effect throughout the EU from 25 May 2018. It applies to all EU member states and provides a single EU legal framework for the processing of individuals' data. The maximum potential fine for breaching the GDPR will be €20 million (or 4% of global turnover if higher). The government has confirmed that, despite Brexit, the GDPR will be enforceable in the UK from May next year.

Administering Authorities are responsible for the personal data held by their LGPS funds, meaning the GDPR changes are relevant to them. Every pensions team should be actively planning how to ensure compliance with the GDPR.

Administering Authorities must demonstrate compliance with the GDPR in relation to their LGPS fund. They should be able to show in a meaningful way that both the overall governance structure for data protection compliance and the individual policies and procedures relating to data processing are compliant.

### Who Needs to Know?

This document is relevant to anyone working in data protection/compliance or supporting an LGPS fund, and aims to highlight the main steps that Administering Authorities will need to consider in complying with the GDPR in relation to their LGPS funds. Where an authority has already implemented general GDPR compliance processes, or has them in the pipeline, the steps we have set out can be tailored to work in conjunction with or in addition to those processes.



# The GDPR – Actions for Administering Authorities

## 1. Maintain Records of Data Processing

It will become a mandatory requirement for Administering Authorities who employ more than 250 people, or who process sensitive personal data (about members' health or family circumstances), to maintain records of all personal data processing activities. The records may have to be presented to the Information Commissioner's Office (ICO) on demand.

### Action for Administering Authorities

- Audit the current position and identify any gaps in compliance.
- Take steps to ensure all personal data processing activities are recorded.

## 2. Review Data Security Measures and Assess Adequacy

The GDPR retains the current obligation to have appropriate technical and organisational data security measures in place, but also provides that certain specific measures (such as encryption) should be used "where appropriate".

It also requires that processes incorporate "privacy by design and default", i.e. compliance with the GDPR needs to be integrated into all data processing and should be the default setting on all privacy arrangements.

### Action for Administering Authorities

- Develop a compliance plan to ensure appropriate technical and organisational data security measures are in place both at the authority and with any third party service provider.
- Review existing applications and processes that involve the use of personal data and ensure they are secure.
- Implement a policy to ensure that data is only stored for the minimum period necessary.
- Consider whether data encryption should be used, especially for sensitive personal data such as health data.
- Default settings (for example, on member portals) must be configured to automatically provide data security.

## 3. Update Service Provider Contracts

The GDPR requires new content to be inserted into all service and data sharing agreements that govern the use of personal data. It also imposes direct liability on such service providers for data protection compliance.

### Action for Administering Authorities

- Work with current service providers and any other third party that receives data from the LGPS fund, e.g. actuaries/auditors, to amend the contractual provisions as necessary to comply with the GDPR.
- Do not agree to any revised contract without first obtaining proper advice that it does not impose additional obligations on the authority/the fund.
- Ensure that the contractual terms applying to all new appointments are compliant with the GDPR.
- Ensure that any third party administrator maintains adequate records.



#### 4. Revise and Update Privacy Notices and Consider Whether Member Consent Is Required

The GDPR requires additional content to be included in all privacy notices regarding how personal data will be used by data controllers. A data controller is any organisation that makes decisions on how personal data is to be processed and for which purposes, so will include the Administering Authorities of an LGPS fund. Data controllers must tell any one whose personal data they collect what information is held, how it is used, who it may be shared with and what safeguards are in place.

The GDPR also makes it more difficult to obtain valid consent for the use of personal data – consents must be fully informed, specific, unambiguous and freely given by way of a statement or clear affirmative action by the member.

In addition, there is a specific obligation to retain proof of consent.

##### Action for Administering Authorities

- Review and resend all member privacy notices in order to comply with the GDPR.
- Review consents the authority relies on to justify the processing of personal data.
- Consider new or revised consent to data processing by the fund.  
New joiner information may need to be updated.
- Clear records of all privacy notices and consents must be kept.

#### 5. Establish a Breach Management Process

The GDPR requires data breaches involving any risk to individuals to be reported to the ICO "without undue delay", and within 72 hours of becoming aware of the breach in any case. The report must contain details of the breach, including the number of individuals affected, the likely consequences and the steps being taken to address/mitigate the breach.

Affected individuals must also be notified directly if the breach is a "high risk" to their rights and freedoms.

##### Action for Administering Authorities

- Establish an effective data breach response plan that ensures any breach is addressed and assessed for the obligation to notify and that the relevant ICO report and any member notifications can be made in a timely fashion.

#### 6. Appoint a Data Protection Officer (DPO)

As public bodies, Administering Authorities may be required to appoint a DPO. The European data protection authorities recommend that a DPO is appointed even if an organisation is not required to have one under the GDPR. The DPO is expected to be appropriately qualified and should report directly to the senior management at the authority. The DPO will be the contact person in the organisation for questions related to processing of personal data in respect of the LGPS fund, as well as the rest of the Administering Authority's functions.

##### Action for Administering Authorities

- Appoint a suitably qualified DPO, if your organisation is required to have one. This could be the Authority's appointed general DPO, if there is one, provided that person meets the criteria.
- Where Administering Authorities share pension services, one DPO could be appointed to more than one authority in respect of their LGPS funds.



## 7. Ensure Processes Are in Place to Cater for the New Individual Rights

The GDPR introduces new rights for individuals, including the right of data portability, the right to restrict processing, the right to object to processing, the right to object to direct marketing and the right to be forgotten – i.e. the right to have one's personal data deleted.

### Action for Administering Authorities

- Identify which of the new rights may be exercised by members.
- Establish procedures to ensure that the new rights can be exercised.

## 8. Carry Out Data Protection Impact Assessments (DPIA)

DPIAs must be carried out in relation to all "high risk" processing. This is where there is a high risk to rights and freedoms, for example, extensive profiling of individuals using automated processing or large scale processing of sensitive personal data (e.g. medical information). The European data protection authorities recommend to carry out DPIAs as good practice and to demonstrate accountability for processing personal data.

Consultation with the ICO may be required prior to processing in relation to high risk processing in certain circumstances.

### Action for Administering Authorities

- Assess whether any use of personal data would be classified as "high risk" under the GDPR and, if so, carry out a DPIA.

## Checklist

1. Create and maintain records of data processing.
2. Review data security measures and assess compliance.
3. Update service provider contracts.
4. Revise and update privacy notices and consider whether member consent is required. If yes, assess whether it meets the GDPR requirements.
5. Establish or update a data breach management process.
6. Appoint a Data Protection Officer (DPO).
7. Ensure processes are in place to cater for the new individual rights.
8. Consider if a Data Protection Impact Assessment (DPIA) is required and, if so, carry one out.

## Contacts



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## APPENDIX B

### Opt out data

	2013/14	2014/15	2015/16	2016/17*	2017/18**
Total number of opt outs in year	22	25	10	75	29
<b>Age of opt outs</b>					
youngest age of opt out in year	24	22	22	21	22
oldest age of opt out in year	57	55	52	53	58
average age of opt out in year	39	41	35	38	38
<b>Ethnicity of opt out</b>					
ethnicity not known	1	2	2	13	5
mixed Caribbean	0	0	0	1	0
white other	3	2	1	1	0
white / British	18	21	7	60	24
<b>Whole time or Retained</b>					
Retained	21	25	9	16	9
Whole-time	1	0	1	59	20
<b>Opt out - automatic re-enrolment</b>					
Retained	21	23	7	12	6
Whole-time	0	0	0	31	7
<b>Total</b>	<b>21</b>	<b>23</b>	<b>7</b>	<b>43</b>	<b>13</b>
<b>Opt out - new joiner (refund)</b>					
Retained	0	2	2	1	3
Whole-time	1	0	1	25	13
<b>Total</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>26</b>	<b>16</b>
<b>Opt out - deferred pension</b>					
Retained	0	0	0	3	0
Whole-time	0	0	0	3	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>

\*2016/17 year – Automatic re-enrolment date 1 October 2016

\*\*2017/18 year – Only contains data from 1 April to 30 September 2017

## APPENDIX C

Personal & Confidential  
Mr J Bloggs  
The Castle  
Winchester  
Hampshire



**HAMPSHIRE  
FIRE AND  
RESCUE  
SERVICE**

Pensions Services  
The Castle, Winchester  
Hampshire, SO23 8UB

Telephone: 01962 845588  
Fax: 01962 834537

[www.hants.gov.uk/pensions](http://www.hants.gov.uk/pensions)

<i>Enquiries to</i>		<i>My Reference</i>	FIRE/Annual Allowance Notification
<i>Direct Line</i>	01962 845588	<i>Your Reference</i>	AB123456C
<i>Date</i>		<i>Email</i>	pensions@hants.gov.uk

Dear Mr Bloggs

### **Hampshire Firefighters' Pensions Pension Savings Statement 2016/17**

Please find enclosed your Pensions Savings Statement for 2016/17. This statement sets out the increase in your pension savings from the Fire Pension Scheme over 2016/17 for comparison against the HM Revenue & Customs (HMRC) Annual Allowance threshold.

We have sent you this statement for one of the following reasons:

- Our records show that the increase in your pension savings in the Fire Pension Scheme over 2016/17 exceeds the standard Annual Allowance (based on the information we hold on your pension record at the time of the calculation),
- You have requested a statement,
- A third party has requested a statement on your behalf (you will need to forward this to them),
- We have revised a previous statement due to a notification of a data change.

Please refer to our website which gives you more information on how the Annual Allowance works [www.hants.gov.uk/pensions/annualallowance](http://www.hants.gov.uk/pensions/annualallowance).

### **What should I do with this information?**

You will need this statement to work out whether you have to pay a tax charge. If you find that you do need to pay a tax charge, then there are different ways in which you can meet the charge as set out later in this document.

**It is your personal responsibility to pay the correct amount of tax and therefore please take your time to read and understand this information.** You may need to take independent financial advice in order to ensure you understand your tax position.

You can use the HMRC online calculator to work out if you need to pay a charge <https://www.tax.service.gov.uk/paac>

Members must report any annual allowance excess to HMRC as part of the self reporting process, even if a self assessment return is not ordinarily required by HMRC. The **scheme is not responsible** for informing HMRC on your behalf.

You may wish to refer to HMRC guidance; <http://www.hmrc.gov.uk/pensionschemes/calc-aa>.

### **Your pension savings**

There is a limit to the amount of pension you can build up in a year without paying any tax. This limit is called the Annual Allowance.

HMRC measures your pension savings in a specific way, and over a specific time period:

- The increase in your pensions savings is called the Pension Input Amount (PIA).
- The increase in pensions savings is measured over a period which is called the Pension Input Period (PIP for short).

You may be subject to an Annual Allowance tax charge if your PIA for an input period is more than the Annual Allowance in that period. The tax charge applies only to the amount above the allowance.

However, there is a mechanism to carry forward unused Annual Allowance from the last three PIPs to fully or partially offset a tax charge.

### **Pensions savings in the Fire Pension Scheme**

Your pensions savings for the 2016/17 year in this scheme were £40,952.32 and so have exceeded this year's annual allowance by £952.32 (a).

Assuming that you made no other pensions savings between 1 April 2013 and 31 March 2017, you have the following unused annual allowance from the last 3 tax years to help cover the excess shown above;

<b>Tax Year</b>	<b>Annual Allowance</b>	<b>Unused Allowance</b>
2013/14	£50,000	£22,683.52
2014/15	£40,000	£0.00
2015/16	£40,000	£15,688.85

After using the unused allowances above to cover this year's excess, your remaining unused annual allowance available to carry forward for 2017/18 is £15,688.85.

This information is based solely on your pension benefits in the Fire Pension Scheme,

### **Scheme Pays option**

If your total tax charge exceeds £2,000, then you may elect in writing for us to pay the tax charge and in turn we will apply a pension debit (an amount deducted from your pension

when you retire). You will still need to fill out a Self Assessment tax return to declare the excess.

A Scheme Pays Election form has been enclosed with this letter. We must receive any elections for Scheme Pays in respect of 2016/17 by 31 July 2018.

If you do not use the Scheme Pays option, you will need to notify HMRC of your excess and pay the tax charge to them directly.

## Pensions Savings Statement 2016/17

### 1. Your personal details

We have used the following details to produce the figures in this statement.

<b>Name:</b>	Joe Bloggs
<b>National Insurance number:</b>	AB123456C
<b>Payroll number:</b>	01000000
<b>Date of birth:</b>	1 January 1968

### 2. Your pension input amounts

The table below sets out:

- your pensions savings in the Fire Pension Scheme over the 2016/17 PIP, and the three previous PIPs,
- the standard Annual Allowance threshold applicable for each PIP
- the amount by which your pension savings have exceeded the annual allowance

<b>Pension Input Period (PIP)</b>	<b>Pension Input Amount (PIA)</b>	<b>Annual Allowance<sup>a)</sup></b>	<b>Excess over annual allowance</b>
<b>2016/17:</b> (6 April 2016 to 5 April 2017)	£40,952.32	£40,000	£952.32
<b>2015/16:</b> <b>Second part-year PIP</b> (9 July 2015 to 5 April 2016)	£24,311.15	£0 <sup>(b)</sup>	(£15,688.85)
<b>First part-year PIP</b> (1 April 2015 to 8 July 2015)	£8,881.20	£80,000	
<b>2014/15:</b> (1 April 2014 to 31 March 2015)	£43,051.66	£40,000	£0.00
<b>2013/14:</b> (1 April 2013 to 31 March 2014)	£27,316.48	£50,000	£22,683.52

Note: (a) A lower Annual Allowance may apply to the amount of Money Purchase pension savings you can make if you have accessed any pension savings using the new pension freedoms introduced in April 2015.

(b) Up to £40,000 of the unused £80,000 Allowance from the first part-year PIP (1 April 2015 to 8 July 2016) could be carried forward to the second part-year PIP (9 July 2015 to 5 April 2016).

## Underlying data used in the calculations

The figures above are based on the following salary and pension calculations:

Pension Input Period (PIP)	2016/17	2015/16	2014/15	2013/14	2012/13
<b>Pay figures:</b>					
Final Salary pay at end of PIP	£51,458.65	£50,027.51	£55,573.14	£52,518.59	£51,553.01
<b>Pension figures:</b>					
Final Salary 60ths pension at end of PIP	£31,341.27	£28,781.75	£30,103.68	£26,692.26	£24,471.09

**If you believe that any of the above data is incorrect, please contact Pensions Services as this may affect your Pension Input Amount calculation.**

**The values above only take account of this pension scheme.** You will also need to consider any other pension savings you have made during this period, and the last three years, to work out any tax charge. You may wish to seek independent financial advice before you make any decisions.

Members must report any annual allowance excess to HMRC as part of the self reporting process, even if a self assessment return is not ordinarily required by HMRC. The **scheme is not responsible** for informing HMRC on your behalf. Members who submit a paper return should use form SA101. Nil tax returns are not required.

Where members do not ordinarily complete a tax return they should now request one from HMRC to report the excess.

## APPENDIX D

### Example of Additional Pension Benefit (APB) calculation for a member of the 1992 scheme

<b>APB factors dependant on age and scheme</b>	<b>1992 scheme</b>
APB factor at age 30	10.8
APB factor at age 35	12.5
APB factor at age 40	14.5
APB factor at age 45	16.6
APB factor at age 50	19.1

#### **Pay and allowances**

Firefighter pay at 01/04/2017	£29,368.00
10% pensionable allowance	£2,936.80
<b>Total annual pensionable pay</b>	<b>£32,304.80</b>

#### **Contribution rates dependant on pay and scheme**

Employee contribution rate*	14.70%
Employer contribution rate	21.30%
Notional ill health contribution	1.60%
<b>Total contribution rate</b>	<b>37.60%</b>

\* Based on pensionable pay between £30,909 and £41,212

#### **Amount of contributions paid on allowance dependant on scheme**

Employee's contributions (£2,936.80 x 14.70%)	£431.71
Employer's contributions (£2,936.80 x 22.90%)	£672.53
<b>Total amount of pension paid on allowance</b>	<b>£1,104.24</b>

#### **Amount of APB to be added to pension dependant on age and scheme**

APB awarded if age 30 at relevant date (£1,104.24 / 10.8)	£102.24
APB awarded if age 35 at relevant date (£1,104.24 / 12.5)	£88.34
APB awarded if age 40 at relevant date (£1,104.24 / 14.5)	£76.15
APB awarded if age 45 at relevant date (£1,104.24 / 16.6)	£66.52
APB awarded if age 50 at relevant date (£1,104.24 / 19.1)	£57.81

## APPENDIX E

### Example of Additional Pension Benefit (APB) calculation for a member of the 2006 scheme

<b>APB factors dependant on age and scheme</b>	<b>2006 scheme</b>
APB factor at age 30	8.3
APB factor at age 35	9.7
APB factor at age 40	11.5
APB factor at age 45	13.3
APB factor at age 50	15.4

#### **Pay and allowances**

Firefighter pay at 01/04/2017	£29,638.00
10% pensionable allowance	£2,963.80
<b>Total annual pensionable pay</b>	<b>£32,601.80</b>

#### **Contribution rates dependant on pay and scheme**

Employee contribution rate*	10.90%
Employer contribution rate	14.20%
Notional ill health contribution	2.60%
<b>Total contribution rate</b>	<b>27.70%</b>

\* Based on pensionable pay between £30,909 and £41,212

#### **Amount of contributions paid on allowance dependant on scheme**

Employee's contributions (£2,963.80 x 10.90%)	£323.05
Employer's contributions (£2,963.80 x 16.80%)	£497.92
<b>Total amount of pension paid on allowance</b>	<b>£820.97</b>

#### **Amount of APB to be added to pension dependant on age and scheme**

APB awarded if age 30 at relevant date (£820.97 / 8.3)	£98.91
APB awarded if age 35 at relevant date (£820.97 / 9.7)	£84.64
APB awarded if age 40 at relevant date (£820.97 / 11.5)	£71.39
APB awarded if age 45 at relevant date (£820.97 / 13.3)	£61.73
APB awarded if age 50 at relevant date (£820.97 / 15.4)	£53.31



APPENDIX F

Fire Ill Health Pension and Injury Pension review numbers

<b>HFRA</b>		<b>Year review is due</b>				
<b>Ill Health Pensions</b>		<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Total ill health pensions over NPA	225	No reviews necessary				
Total ill health pension under NPA	24	Potential reviews necessary				
ill health pension more than 8 years retired	13	No reviews necessary				
Ill Health 8 year review due	7	0	1	0	2	4
ill health pension 4 year review due	4	0	0	2	2	0

<b>Injury Pensions</b>		<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Total injury pensions over NPA	81	No reviews necessary				
Total injury pensions under NPA	9	Potential reviews necessary				
Total injury pensions more than 5 years retired	6	No reviews necessary				
injury pension review at 5 years	2	1	1	0	0	0
injury pension review at 3 years	1	0	1	0	0	0

**DWP review**

Total number of injury pensions in payment that need review of DWP benefits - 90

## APPENDIX G

### **New look for firefighters' pension scheme web pages**

If you're a member of a firefighters pension scheme, check out the [new pension web pages](#). These are much more user-friendly and make pension information more accessible. They can be accessed from our [portal](#) by searching for pensions.

There are a range of pensions resources available to firefighters.

- In the new look pages, the 'getting help' section will signpost you according to your query <http://www3.hants.gov.uk/fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/pensionshelp.htm>
- New employer pension groups have been set up with representatives from across the shared partnership from HR, payroll, finance and Pensions Services

### **Who does what?**

- Standards and Governance Committee is the scheme manager and is responsible for setting local policy.
- There is a [Firefighter's Pension Board](#) which scrutinises the actions of the employer and pensions administrator.
- Shared Services HR maintains the policies and is responsible for pursuing things like Ill Health Retirement cases
- Shared Services Payroll and Pensions Administration Team provides information to employees and to Pension Services about pensionable pay. When you raise an IBC query about pensions in ESS, this is the team that deal with your enquiry.
- Pensions Services, who are independent of your employer, administer the pension schemes, providing estimates, Annual Benefit Statements and retirement benefits.

Lots more information can be found on the [new pension web pages](#).

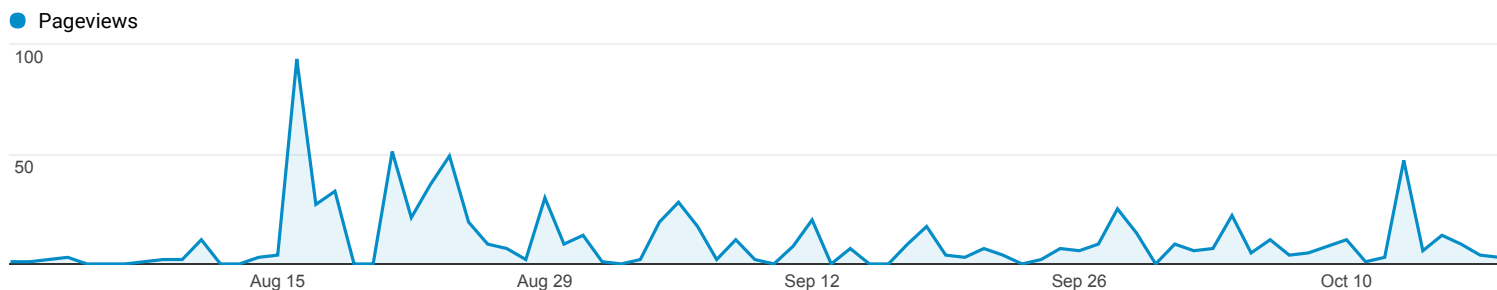
The pension pages for members of the Local Government Pension Scheme will also be updated later this year.

Pages

All Users  
100.00% Pageviews

Aug 1, 2017 - Oct 18, 2017

Explorer



This data was filtered using an advanced filter.

Page	Pageviews	Unique Pageviews	Avg. Time on Page	Entrances	Bounce Rate	% Exit	Page Value
	827 % of Total: 0.01% (11,219,618)	596 % of Total: 0.01% (7,874,711)	00:01:13 Avg for View: 00:01:05 (13.18%)	89 % of Total: 0.00% (3,250,066)	38.20% Avg for View: 55.72% (-31.44%)	20.56% Avg for View: 28.97% (-29.04%)	£0.00 % of Total: 0.00% (£0.00)
1. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps.htm	400 (48.37%)	251 (42.11%)	00:00:46	64 (71.91%)	34.38%	18.75%	£0.00 (0.00%)
2. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/requestestimate.htm	76 (9.19%)	58 (9.73%)	00:02:36	5 (5.62%)	40.00%	25.00%	£0.00 (0.00%)
3. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/pensionshelp.htm	67 (8.10%)	53 (8.89%)	00:02:14	11 (12.36%)	54.55%	40.30%	£0.00 (0.00%)
4. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/whe ntoleave.htm	42 (5.08%)	39 (6.54%)	00:01:48	2 (2.25%)	50.00%	26.19%	£0.00 (0.00%)
5. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/opt out.htm	37 (4.47%)	27 (4.53%)	00:01:49	4 (4.49%)	75.00%	24.32%	£0.00 (0.00%)
6. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/leav eoretire.htm	36 (4.35%)	30 (5.03%)	00:01:10	2 (2.25%)	0.00%	13.89%	£0.00 (0.00%)
7. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/opti n.htm	30 (3.63%)	16 (2.68%)	00:01:53	0 (0.00%)	0.00%	13.33%	£0.00 (0.00%)
8. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/ben efitstatements.htm	25 (3.02%)	23 (3.86%)	00:01:27	0 (0.00%)	0.00%	20.00%	£0.00 (0.00%)
9. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/con tributions.htm	24 (2.90%)	18 (3.02%)	00:01:27	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)
10. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/pen sionsinfo.htm	23 (2.78%)	16 (2.68%)	00:00:21	0 (0.00%)	0.00%	21.74%	£0.00 (0.00%)
11. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/tem porarypromotions.htm	14 (1.69%)	14 (2.35%)	00:01:00	0 (0.00%)	0.00%	28.57%	£0.00 (0.00%)
12. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/pen sionsreengagements.htm	13 (1.57%)	12 (2.01%)	00:00:46	1 (1.12%)	0.00%	7.69%	£0.00 (0.00%)
13. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/aut oenrolment.htm	9 (1.09%)	8 (1.34%)	00:02:12	0 (0.00%)	0.00%	11.11%	£0.00 (0.00%)
14. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/tran sferpension.htm	9 (1.09%)	9 (1.51%)	00:00:45	0 (0.00%)	0.00%	33.33%	£0.00 (0.00%)
15. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/req uestcctv.htm	8 (0.97%)	8 (1.34%)	00:00:21	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)
16. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/con tributionholidays.htm	7 (0.85%)	7 (1.17%)	00:00:34	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)
17. /fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps/fpsc ontact.htm	2 (0.24%)	2 (0.34%)	00:00:28	0 (0.00%)	0.00%	50.00%	£0.00 (0.00%)
18. /fire/pensionsfps	1	1	00:00:36	0	0.00%	0.00%	£0.00

		(0.12%)	(0.17%)		(0.00%)			(0.00%)
19. <a href="/fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps.htm">/fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps.htm</a>	1 (0.12%)	1 (0.17%)	00:00:10	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)	
20. <a href="/hampshirecountycouncil/portal-help/hr/pensionsfps">/hampshirecountycouncil/portal-help/hr/pensionsfps</a>	1 (0.12%)	1 (0.17%)	00:00:06	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)	
21. <a href="/pensionsfps">/pensionsfps</a>	1 (0.12%)	1 (0.17%)	00:00:09	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)	
22. <a href="/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps.htm">/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps.htm</a>	1 (0.12%)	1 (0.17%)	00:00:10	0 (0.00%)	0.00%	0.00%	£0.00 (0.00%)	

Rows 1 - 22 of 22

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**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Purpose: Noted

Date **19 FEBRUARY 2018**

Title **FIRE PENSION BOARD STATUS REPORT**

Report of Chief Finance Officer

### SUMMARY

1. This report provides an update on the development of key items.
2. This report, together with attachments, provides the framework for this meeting agenda.

### ADDITIONAL PENSION BENEFIT'S AND TEMPORARY PROMOTIONS

3. The Board asked for some further analysis on Additional Pension Benefits. This is underway and ongoing and a report will be provided at the next Pension Board meeting.

### ILL HEALTH AND INJURY PENSION REVIEWS

4. The HR Department have taken on the ill health and injury pension review work although this has not started as yet due to lack of resources. They plan to start this during the first quarter of 2018/19 and further updates will be provided to the Board as and when details are known.

### TRAINING - TRAINING NEEDS ANALYSIS / TAX SEMINARS

5. Pension Board members were asked to complete a new Training Needs Analysis form and the results of this can be found in APPENDIX A.
6. Although no major issues have been highlighted from the TNA, the Board are asked to consider and put forward any suggestions for training topics.
7. Board members were all invited to attend the tax seminars that were organised by SAB and LGA and put on at Barnett Waddington offices, it is hoped that for those that attended that it was found to be useful and informative.

## ANNUAL ALLOWANCE FACTSHEET

8. The Pension Board members will be aware of how complex the issue around Annual Allowance (AA) is and that more and more members are being affected by it.
9. In preparation for AA in 2018 a factsheet has been prepared, which could be published / issued to members around the time of Annual Benefit Statements. This can be found in APPENDIX B and the Board are invited to comment on this.

## PRESENTATIONS

10. The Employer Pension Manager has given presentations on the pre retirement course on 15 November; the next one is on 20 February.
11. She has also given pension presentations at various Fire Stations, Gosport on 23 November, Redbridge on 6 December and at Fareham on 5 February.
12. For the most part, these have been very well received and well attended, with lots of questions and engagement from those that attended. There is definitely an appetite to have more information about pensions available and to have someone explain the schemes to them; this is also evident on social media.

## SURVEYS

13. The TPR issued a survey around governance and administration and this was completed and returned.
14. SAB also issued a survey and although this covered some similar questions to the TPR one, it was necessary to complete as TPR do not share the data with SAB.

## ALLOWANCES AND ARA'S PROJECT

15. This is progressing according to the project timeline. A new pay and allowances handbook has been written by HR which clearly defines the criteria to receive payment of any of the pay and allowances paid.
16. A similar style handbook and revised policy has also been drawn up in relation to Additional Responsibility Allowance (ARA).
17. For both the Allowances and the ARA's a new governance process will be put into place with more stringent controls for commencing or ceasing payment of an allowance, along with ongoing audit controls and any pension implications.

18. Both of these new handbooks are going to the Unions and Rep bodies for a consultation period starting in February 2018.

#### ANNUAL BENEFIT STATEMENTS (ABS')

19. The Employer Pension Manager has been asked to provide feedback on the ABS templates. A number of comments have been raised, including adding some notes about Annual Allowance, and showing the value of any Additional Pension Benefits (APB) separately.
20. Pensions Services will be evaluating all feedback received and final versions of the ABS' will be sent to the Board members when they are available.

#### MEMBER SELF SERVICE

21. Pensions Services are looking at whether this can be extended to the Fire Pension Schemes.
22. It is hoped that the new software upgrade, due to be installed during February 2018, will provide an enhanced registration process. This should make it easier for users to sign up to the Member Self Service and in addition there should be less manual intervention required from Pension Services.
23. Further work is required to develop this new registration process and Pension Services hope to be able to confirm the likely timeframe for roll out in the next few months.

#### GMP RECONCILIATION

24. Members that contributed to an Occupational Pension Scheme such as the Fire Pension Scheme between 6 April 1978 and 5 April 2016 were Contracted-Out of the Additional Pension part of the State Pension Scheme (also known as State Second Pension or SERPS). Whilst being in a Contracted Out pension scheme the member and the employer will have paid a reduced rate of National Insurance.
25. An Occupational Pension Scheme has to provide a minimum pension called a Guaranteed Minimum Pension (GMP) to members that were Contracted Out. This is broadly equivalent to the amount the member would have received had they not been contracted out.
26. HMRC ceased Contracting Out from 6 April 2016 with the introduction of the new State Pension. Up to this date, HMRC tracked all movements of GMP liabilities between pension funds. With effect from 6 April 2016 HMRC no longer record this information.

27. HMRC have given all UK Pension Schemes until December 2018 to reconcile their membership with HMRC records.
28. In January 2015, Hampshire Pension Services received the “leaver data” from HMRC. This was anyone that had left Contracted Out service where HMRC had the GMP liability attributed to Hampshire Fire Pensions. Work on this data for Fire Pension Schemes was completed in May 2016.
29. Details of all “active members”, those that were contributing to a scheme on 6 April 2016, were sent to Pensions Services in April 2017. Hampshire Pension Services are now working with Civica and Intellica to find a way forward to enable records to be checked, queried and corrected where applicable.

#### TIMELINE OF STATUTORY WORK

30. At the last Fire Pension Board meeting, the Pension Board asked for a schedule of activities relating to Pensions. A timeline of statutory pension activities is included in APPENDIX C

#### OPT OUTS

31. The Board will recall that there was a spike in optant outs for 2016/17 for whole-time firefighters. Further analysis of this data has shown that almost all of the whole-time new joiner optant out employments were a temporary / fixed term contract.
32. At the end of December 2017, there were 1,119 firefighters employed in 1,395 roles, of which 709 were whole-time contracts and 686 were RDS contracts.
  - 129 RDS contracts that are not in any Fire Pension Scheme, this is 19% of the RDS employments
  - 80 whole-time contracts that are not in any Fire Pension Scheme, this is 11% of the whole-time employments
  - 96 firefighters are not in any Fire Pension Scheme at all, this is 9% of people
33. It was agreed that we would contact those that were not in the Fire Pension Scheme to try and establish why they may have chosen to not be a member. A draft letter together with proposed questions can be found in APPENDIX D and the Board are invited to comment on any amendments.



## LETTERHEAD TEMPLATES

34. For many years, Hampshire Pension Services have been using the Hampshire Fire and Rescue Authority logo on their letterhead for written communication to operational Fire staff in one of the Fire Pension Schemes.
35. The same logo is used by the IBC and HR and as the employer it makes sense for the IBC and HR departments to use this logo.
36. Confusion can arise as many staff do not appreciate that there is a difference between the employer and Pension Services, this issue is compounded by the fact that they appear to use the same headed paper and are based at the same address. Although we have attempted to provide clarity on these differences it is going to take some time for this message to filter through.
37. Hampshire Pension Services would be willing to change the heading on their letterhead. APPENDIX E has examples of the current letterhead, the letterhead used for Local Government Pension Scheme members and a couple of suggested alternatives. The Board are invited to discuss their opinions on this matter and to make suggestions about what alternative letterhead Pension Services should use.

## RECOMMENDATION

38. That the request for training, as set out in paragraphs 5 – 6 and APPENDIX A, be noted by the Hampshire Fire Pension Board
39. That the Annual Allowance factsheet, as set out in paragraphs 8 – 9 and APPENDIX B, be endorsed by the Hampshire Fire Pension Board
40. That the timeline for Statutory pension deadlines, as set out in paragraph 30 and APPENDIX C, be noted by the Hampshire Fire Pension Board
41. That the opt out survey letter, as set out in paragraphs 31 – 33 and APPENDIX D, be endorsed by the Hampshire Fire Pension Board
42. That the letterhead to be used by Pension Services, as set out in paragraphs 34 – 37 and APPENDIX E, be endorsed by the Hampshire Fire Pension Board

## APPENDICES ATTACHED

43. APPENDIX A – Training Needs Analysis summary
44. APPENDIX B – Annual Allowance factsheet
45. APPENDIX C – Statutory deadlines for Pension activities
46. APPENDIX D - Draft letter & questions to members not in scheme
47. APPENDIX E – Pension Services letterhead templates

Contact:

Claire Neale, Employer Pension Manager, [claire.neale@hants.gov.uk](mailto:claire.neale@hants.gov.uk),  
01962 845481

Ref	Topic	Familiar (✓)	Almost (?)	Unsure (X)
<b>A</b>	<b>Background and Understanding of the Legislative Framework of the Fire pension scheme</b>			
A1	Differences between public service pension schemes like the Fire Pension Scheme (FPS) and private sector trust- based schemes	5	0	0
A2	Role of the Independent Public Service Pensions Commission (IPSPC) and its recommendations	2	1	2
A3	Key provisions of the 2013 Pension Act	1	3	1
A4	The structure of the scheme and the main bodies involved including the Responsible Authority, the Scheme Manager, the Scheme Advisory Board, the Local Pension Board and the Scheme employers	3	2	0
A5	An overview of local authority law and how Administering Authorities are constituted and operate	1	3	1
A6	Scheme and connected scheme rules overview (including the Regulations)	2	1	2
A7	The Firefighter Pension Scheme 1992	5	0	0
A8	The Firefighter Pension Scheme 2006 and main changes from the 1992 scheme	5	0	0
A9	The Firefighters Pension Fund	3	1	1
A10	The Firefighters Compensation Scheme	1	2	2
A11	Firefighters (Modified) Pension Scheme	3	2	0
A12	The Firefighters Pension Scheme 2015	4	1	0
		<b>35</b>	<b>16</b>	<b>9</b>
<b>B</b>	<b>General pensions legislation applicable to the FPS - An overview of wider legislation relevant to the FPS including:</b>			
B1	Automatic Enrolment (Pensions Act 2008)	4	1	0
B2	Contracting out (Pension Schemes Act 1993)	3	2	0
B3	Data protection (Data Protection Act 1998)	2	3	0
B4	Employment legislation including anti- discrimination, equal treatment, family related leave and redundancy rights	3	2	0
B5	Freedom of Information (Freedom of Information Act 2000)	3	2	0
B6	Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)	2	2	1
B7	Tax (Finance Act 2004)	3	2	0
		<b>20</b>	<b>14</b>	<b>1</b>

Ref	Topic	Familiar (✓)	Almost (?)	Unsure (X)
<b>C</b>	<b>Role and responsibilities of the Local Pension Board</b>			
C1	Role of the Local Pension Board	4	1	0
C2	Conduct and conflicts	4	0	1
C3	Reporting of breaches	3	2	0
C4	Knowledge and understanding	2	3	0
		<b>13</b>	<b>6</b>	<b>1</b>
<b>D</b>	<b>Role and responsibilities of the Scheme Manager</b>			
D1	Membership and eligibility	3	2	0
D2	Benefits and the payment of benefits	3	2	0
D3	Decisions and discretions	1	4	0
D4	Disclosure of information	1	4	0
D5	Record keeping	2	3	0
D6	Internal controls	1	4	0
D7	Internal dispute resolution	1	4	0
D8	Reporting of breaches	3	2	0
D9	Statements, reports and accounts	2	2	1
		<b>17</b>	<b>27</b>	<b>1</b>
<b>E</b>	<b>Funding and Investment</b>			
E1	Requirement for triennial and other valuations	1	1	3
<b>F</b>	<b>Role and responsibilities of Scheme Employers</b>			
F1	Automatic Enrolment & Opting Out	4	1	0
F2	Deduction and payment of contributions	3	2	0
F3	Special contributions	1	3	1
F4	Employer decisions and discretions	1	3	1
F5	TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Directions 2007)	1	2	2
		<b>10</b>	<b>11</b>	<b>4</b>
<b>G</b>	<b>Tax and Contracting Out</b>			
G1	Finance Act 2004	1	2	2
G2	Role of HMRC	3	1	1
G3	Registration	2	1	2
G4	Role of 'scheme administrator'	2	2	1
G5	Tax relief on contributions	3	1	1
G6	Taxation of benefits	2	2	1
G7	Annual and lifetime allowances	4	1	0
G8	Member protections (primary, enhanced, IP etc)	1	1	3
G9	National Insurance	2	2	1
G10	Contracting out (Pensions Scheme Act 1993)	2	2	1
G11	Impact of abolition of contracting out in 2016	2	0	3
		<b>24</b>	<b>15</b>	<b>16</b>

Ref	Topic	Familiar (✓)	Almost (?)	Unsure (X)
<b>H</b>	<b>Role of advisors and key persons</b>			
H1	Officers of the Fire and Rescue Authority	2	3	0
H2	Auditor	1	3	1
H3	Lawyers	1	3	1
H4	Administrators – in house v. third party	2	2	1
H5	Procurement of services	2	1	2
H6	Contracts with third parties	1	2	2
		<b>9</b>	<b>14</b>	<b>7</b>
<b>J</b>	<b>Key Bodies connected to the Scheme - an understanding of the roles and powers of:</b>			
J1	Courts	1	3	1
J2	HMRC	1	4	0
J3	Information Commissioner	1	3	1
J4	Pensions Advisory Service	1	4	0
J5	Pensions Ombudsman	1	4	0
J6	The Pensions Regulator (including powers in relation to Local Pension Boards)	2	3	0
		<b>7</b>	<b>21</b>	<b>2</b>

## Annual Allowance Factsheet

### What is Annual Allowance?

The Annual Allowance (AA) is the amount by which the value of your Pension benefits may grow (Pension Savings) in any one tax year without you having to pay a tax charge.

If the total value of your Pension Savings in any one tax year, including all Pension Savings in all pension schemes, is in excess of the AA limit, the excess will be taxed as income at your highest marginal rate of tax.

The standard AA in recent years has been as follows:

Pension Input Period (PIP)	Standard AA
1 April 2011 to 31 March 2012	£50,000
1 April 2012 to 31 March 2013	£50,000
1 April 2013 to 31 March 2014	£50,000
1 April 2014 to 31 March 2015	£40,000
1 April 2015 to 5 April 2016	PIP is split into two part year PIPs <ul style="list-style-type: none"> <li>1 April 2015 to 8 July 2015 - £80,000</li> <li>9 July 2015 to 5 April 2016 – Nil (but up to £40,000 of unused allowance from the first part year PIP can be carried forward to this part year PIP)</li> </ul>
6 April 2016 to 5 April 2017	£40,000 (unless tapering applies)
6 April 2017 to 5 April 2018	£40,000 (unless tapering applies)

### What is the Pension Input Period?

The Pension Input Period (PIP) is the period over which your pension growth is measured and from 2016/17 it aligns with the tax year and runs from 6 April to 5 April.

Up until 2014/15 the PIP in this scheme ran from 1 April to 31 March and special transitional arrangements were introduced for 2015/16 meaning that there were two part-year PIPs in that year, as set out below:

**First part-year PIP:** 1 April 2015 to 8 July 2015 – the standard AA limit during this period was £80,000

**Second part-year PIP:** 9 July 2015 to 5 April 2016 - the standard AA limit for this period was nil, however up to £40,000 of unused allowance from the first part-year PIP can be carried forward into this second part-year PIP.

## What is tapered Annual Allowance?

From the tax year 2016/17 the AA is tapered for members who have a **Threshold Income** in excess of £110,000 **and** an **Adjusted Income** in excess of £150,000.

- **Threshold Income: limit £110,000**  
Broadly this is your taxable income after deducting your pension contributions

You should be aware that Threshold Income includes **all** sources of income that are taxable. For example, property, savings, dividends, pensions, social security benefits (where taxable), state pension and so on.

- **Adjusted Income: limit £150,000**  
Broadly this is your Threshold Income plus your Pensions Savings built up over the tax year

The taper reduces the AA by £1 for £2 of Adjusted Income received over £150,000, until a minimum AA of £10,000 is reached. This means that from 6 April 2016 the AA for a high income earner is as follows:

<b>Adjusted Income</b>	<b>Annual Allowance (AA)</b>
£150,000 or below	£40,000
£160,000	£35,000
£170,000	£30,000
£180,000	£25,000
£190,000	£20,000
£200,000	£15,000
£210,000 or above	£10,000

## Are you likely to be affected?

Most people will not be affected by the AA tax charge because the value of their pension savings will not exceed the AA during a year, or if they do, they are likely to have unused allowance from previous years that they can carry forward.

*You are most likely to be affected if:*

- You have a lot of membership or pension build up in the Scheme and you receive a significant pay increase, or promotion, and/or;
- You are a high income earner, and/or;
- You pay a high level of additional contributions towards your pension, and/or,
- You have accessed flexible benefits from another pension scheme on or after 6 April 2015

## Getting further advice

If you are unsure about whether you will be affected by the AA, you should seek independent financial advice from an advisor registered with the Financial Conduct Authority (FCA) who has knowledge of the specific scheme that you are a member of.

## Will I get a Pension Savings Statement?

Hampshire Pension Services will automatically inform you if your Pension Savings in this scheme exceed the standard AA limit in any tax year by no later than 6 October of the following tax year.

Hampshire Pension Services can only calculate your AA position based on your employment in this scheme. If you have other significant sources of taxable income then you could be affected by Tapered AA (refer to the section "What is tapered Annual Allowance?"). If you think you may be close to or will exceed your AA in any one year you can ask Hampshire Pension Services for a statement.

The AA applies to your total pension savings for all tax registered pension arrangements that you still pay into. This means that you will need to obtain the growth in your pension savings from **each arrangement** you are saving with. You will need to ask Hampshire Pensions Services for a Pension Saving statement if you believe that you may exceed the standard AA limit in any one tax year because you also have Pension Savings in another Pension Scheme.

## Working out how much your benefits in this scheme have grown

To work out by how much your Pension benefits in this scheme have grown (that is, your Pension Savings or 'Pension Input Amount'), the value of your benefits at the start and the end of the Pension Input Period (PIP) are compared. This takes account of inflation to keep things fair.

If the pension input amount is more than the AA, there could be a tax charge due.

### Example – working out how much your benefits in this scheme have grown

Closing value:

Value of annual pension at end of the PIP x 16 + value of any automatic lump sum<sup>1</sup> provided by the scheme at the end of the PIP (NB: this is **not** your maximum commutation lump sum) + any Additional Voluntary Contributions (AVCs)<sup>2</sup> paid in the year.

$$£25,000 \times 16 = £400,000 + £0 + £0 = £400,000$$

less

Opening value:

Value of annual pension at start of PIP x 16 + value of any automatic lump sum provided by the scheme at the start of the PIP (NB: this is not your maximum commutation lump sum) x CPI from September prior to PIP start.

$$£20,000 \times 16 = £320,000 + £0 = £320,000 \times 1\% = £323,200$$

The difference between the two values is your Pension Input Amount for the year.

$$£400,000 - £323,200 = £76,800$$

<sup>1</sup> Automatic lump sum applies to: LGPS members with pre 2008 service or to members of the 2006 Police Pension Scheme

<sup>2</sup> Additional Voluntary Contributions applies to: LGPS members who pay contributions to Equitable Life, Zurich or the Prudential.



## What is carry forward?

You will only have a tax charge to pay if your pension savings exceed the AA by more than the amount of unused allowances you can carry forward from the previous three years. You can carry forward unused allowances as long as you have been a member of a registered pension scheme for the relevant previous years.

There are strict rules on how unused allowances from previous years can be applied and how they should be worked out. It is recommended you use [HMRC's online carry forward calculator](#) which will work out your carry forward for you and therefore help you assess whether you have a tax charge to pay.

### Example – working out carry forward and using it to offset an excess

Carry forward for the current year:  
AA limit less Pension Input Amount

$$£40,000 - £76,800 = -£26,800$$

Carry forward for current year = £0

Assessing the carry forward available from the previous three years to offset the excess of £26,800:

Carry forward from Year 1 = £8,000

Carry forward from Year 2 = £5,000

Carry forward from Year 3 = £7,000

Carry forward total = £20,000

$$£26,800 - £20,000 = £6,800 \text{ excess}$$

### Working out the tax charge

You will have a tax charge to pay if your pension savings exceed the AA by more than the amount of unused allowances you can carry forward from the previous three years.

If this applies to you, you must calculate your AA tax charge based on your highest marginal rate. Pension Services cannot do this for you. [Step by step instructions on how to calculate the charge are available from HMRC](#)

### Example – working out a tax charge

Taking into account all taxable income (not just from this employment) and using HMRC guidance in the step by step instructions (see link above), in this example the highest marginal rate of tax is 40%.

Tax charge:

Excess after using AA and any carry forward x marginal highest rate of tax

$$£6,800 \times 40\% = £2,720$$

## Reporting the tax charge

If you exceed the AA limit in any year and have a tax charge to pay **you** are responsible for reporting this to HMRC on your Self Assessment tax return. You will need to complete the Additional Information pages of the tax return to show the amount by which your total pension input amount exceeds the annual allowance. The boxes that need to be completed for the annual allowance are in the 'Pensions savings tax charges' section (on the additional information pages (SA101) in the paper return).

If you are using a paper return you will need to ask for the additional information pages (SA101) to report the information.

Further information to help complete this part of the tax return can be found at [GOV.UK - Pension savings - tax charges on any excess over the lifetime allowance and the annual allowance](#).

### **It is also your responsibility to report your tax charge to HMRC.**

The deadline for submitting online tax returns is 31 January after the year in which the tax charge has arisen (or 31 October for paper returns). Online tax returns are completed using a Government Gateway account, it can take a couple of weeks to register and get this set up if you do not already have one.

If you've never completed a tax return (or it's been some time since you did), you will need to complete a registration form at least 20 days before the deadline to let HMRC know what's changed and to get a tax return.

### **HMRC Pensions Tax Manual – further information on reporting a tax charge to HMRC**

If you exceed the AA limit but **do not** have a tax charge to pay (because you have enough carry forward to wipe out the amount by which you exceeded), there is no further action required and you do not need to report anything to HMRC.

You should keep any pension savings statements that you receive in a safe place as you may need to refer to them in future years.

## Paying the tax charge

If you have an AA tax charge that is less than £2,000 you must pay the charge direct to HMRC via your Self Assessment tax return by 31 January following the year in which your tax charge arose.

If your tax charge is more than £2,000, and providing certain conditions are met, you may be able to elect for Hampshire Pension Services to pay some or all of your tax charge on your behalf and in return your Pension benefits in this Scheme will be reduced accordingly. This is called the Scheme Pays facility.

## Statutory deadlines for Pension activities

	IBC Pensions Admin	Pensions Services	Finance
January			31st deadline to complete HMRC Event Reporting for previous Financial year
February			14th deadline for completion of Accounting for Tax return for Q3 to HMRC
March			
April	30th deadline for submission of EOY return to Pension Services		
May		31st deadline to issue P60s to pensioners / dependants	15th deadline for completion of Accounting for Tax return for Q4 to HMRC
June			
July			
August		10th deadline for submission of valuation data to GAD  31st deadline to issue Annual Benefit Statements for 31 March last	14th deadline for completion of Accounting for Tax return for Q1 to HMRC
September			
October		6th deadline to issue Pension Saving Statements for 6 April last	
November			14th deadline for completion of Accounting for Tax return for Q2 to HMRC
December			

## OPT OUT LETTER / SURVEY

Dear colleague,

I am writing to you today regarding the Fire Pension Scheme.

I note from our records that you are not currently a member of the scheme in any of your contracts of employment with Hampshire Fire and Rescue Authority in your capacity as a Firefighter.

To help us understand why you may have chosen to not be a member of the scheme, and provide information about attitudes to pension savings, I would be grateful if you could answer a few questions in a short survey; this can be done anonymously and should take no more than 5 minutes. Please go to [www.slido.co.uk](http://www.slido.co.uk) and enter a code of (nnnn) to answer the questions.

There is more information about pensions available via the Fire portal and searching for pensions ( <http://www3.hants.gov.uk/fire/portal-help/hr/salaryexpensesbenefits/pensionshome/pensionsfps.htm>). If you want to join the fire pension scheme refer to the “join or opt in” page for more information on how to do this.

The main benefits of the 2015 Fire Pension Scheme are as follows: -

- Your employer contributes 14.3% of what you pay towards the pension fund
- The scheme is a Career Average Revalued Earnings (CARE) scheme with a pension build up (accrual) rate of 1/59.7 of your annual pensionable earnings. This is calculated each year and then added to your pension pot
- Your total pension pot from the 2015 scheme is revalued on 1 April each year until retirement in line with a Treasury index, based on changes in average weekly earnings
- There is no maximum length or service limit on benefits
- The normal pension age (NPA) is 60
- Option to take pension from 55, subject to reductions applied to your pension
- A death grant lump sum is payable of 3 times your final pay if you die in service and are an active member of the scheme
- Survivor’s benefits are payable in the event of your death, whilst a member of the scheme
- At retirement, you can exchange pension for a one off lump sum; for every £1 of pension you give up, you will receive £12 of lump sum. You can exchange a maximum of 25% of your total pension pot
- Immediate pension benefits payable if you are retired on the grounds of ill-health (subject to the criteria of the 2015 scheme regulations and grounds of ill-health retirement)
- Flexibility to pay more – through buying additional pension (up to a maximum of £6,500)

## SURVEY QUESTIONS

1	Gender	<ul style="list-style-type: none"> <li>• Male</li> <li>• Female</li> <li>• Prefer not to answer</li> </ul>
2	Age	<ul style="list-style-type: none"> <li>• 18-30</li> <li>• 31-40</li> <li>• 41-50</li> <li>• 51-60</li> <li>• Prefer not to answer</li> </ul>
3	Number of contracts held with HFRA as a firefighter	<ul style="list-style-type: none"> <li>• 1</li> <li>• 2</li> <li>• 3</li> </ul>
4	Do you have a whole-time contract?	<ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> </ul>
5	If Yes to Q4 In respect of your whole time contract why have you chosen not to join the scheme?	<ul style="list-style-type: none"> <li>• Not my main employment</li> <li>• Contribute to a pension elsewhere</li> <li>• Contributions are too expensive</li> <li>• Cannot afford it due to other financial commitments</li> <li>• Other personal reasons</li> <li>• Don't understand the benefits of the pension</li> <li>• Prefer not to answer</li> </ul>
6	Do you have an RDS contract?	<ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> </ul>
7	If Yes to Q6 In respect of your whole time contract why have you chosen not to join the scheme?	<ul style="list-style-type: none"> <li>• Not my main employment</li> <li>• Contribute to a pension elsewhere</li> <li>• Contributions are too expensive</li> <li>• Cannot afford it due to other financial commitments</li> <li>• Other personal reasons</li> <li>• Don't understand the benefits of the pension</li> <li>• Prefer not to answer</li> </ul>
8	Do you have any other comments?	
9	If you want someone to contact you about pensions, please provide details Contact email address	

PENSION SERVICES  
CURRENT FIRE LETTERHEAD

Personal & Confidential



**HAMPSHIRE  
FIRE AND  
RESCUE  
SERVICE**

Pensions Services  
The Castle, Winchester  
Hampshire, SO23 8UB

Telephone: 01962 845588  
Fax: 01962 834537

[www.hants.gov.uk/pensions](http://www.hants.gov.uk/pensions)

*Enquiries to*

*My Reference*

*Direct Line*

*Your Reference*

*Date*

*Email*



*Treasurer to the Hampshire Fire and Rescue  
Authority*  
**Carolyn Williamson CPFA**

PENSION SERVICES  
CURRENT LGPS LETTERHEAD

Personal & Confidential

**Hampshire Pension Fund**  
administered by



**Hampshire**  
County Council

*Pensions Services*

*The Castle, Winchester, Hampshire SO23 8UB*

Telephone 01962 845588

Fax 01962 834537

[www.hants.gov.uk/pensions](http://www.hants.gov.uk/pensions)

*Enquiries to*

*Direct Line*

*Date*

[

*My Reference*

*Your Reference*

*Email*



*Director of Corporate Resources*  
**Carolyn Williamson CPFA**

PENSIONS SERVICES  
FIRE LETTERHEAD OPTION 1

Personal & Confidential

**Hampshire Fire Pensions**  
administered by



**Hampshire**  
County Council

Pensions Services  
The Castle, Winchester,  
Hampshire SO23 8UB

Telephone 01962 845588  
Fax 01962 834537  
[www.hants.gov.uk/pensions](http://www.hants.gov.uk/pensions)

*Enquiries to*

*Direct Line*

*Date*

*My Reference*

*Your Reference*

*Email*



*Treasurer to the Hampshire Fire and Rescue*  
*Authority*  
**Carolyn Williamson CPFA**



PENSION SERVICES  
FIRE LETTERHEAD OPTION 2



HAMPSHIRE  
FIRE AND  
RESCUE  
SERVICE

Personal & Confidential

Hampshire Fire Pensions  
administered by



Hampshire  
County Council

Pensions Services  
The Castle, Winchester,  
Hampshire SO23 8UB

Telephone 01962 845588  
Fax 01962 834537  
[www.hants.gov.uk/pensions](http://www.hants.gov.uk/pensions)

*Enquiries to*

*Direct Line*

*Date*

*My Reference*

*Your Reference*

*Email*



*Treasurer to the Hampshire Fire and Rescue  
Authority*  
**Carolyn Williamson CPFA**

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**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Purpose: Noted

Date **5 July 2018**

Title **FIRE PENSION BOARD STATUS REPORT**

Report of Chief Finance Officer

## SUMMARY

1. This report provides an update on the development of key items.
2. This report, together with attachments, provides the framework for this meeting agenda.

## DEFERRED PENSIONERS

3. At the last board meeting there was a discussion about deferred members and how we keep in touch. HFRS has 818 deferred members and 86 of these Hampshire Pension Services have lost contact with.
4. Depending on which scheme the member was in when they left will depend on their retirement date. From the 1992 scheme this is age 60, from the 2006 scheme this is age 65 and from the 2015 scheme this is State Pension Age. Benefits need to come into payment by age 75 to ensure that they are not classed as unauthorised payments.
5. A summary of the lost contact deferreds and their payment dates are shown below.

<b>Normal payment date reached</b>	<b>Number of lost contact deferreds</b>
Already passed	2
0 – 5 years	3
6 – 10 years	8
11 – 20 years	16
20+ years	57
<b>Total</b>	<b>86</b>

6. When a deferred pension becomes due for payment, Hampshire Pension Services will pass the details to Target, this is a company that they use for tracing members with whom they have lost contact. This is done on a monthly basis.
7. A mortality trace will be performed first which determines whether the member is deceased or not. Depending on the results of this will define what happens next. Results are usually returned to Hampshire Pension Services within a couple of weeks.

#### EMPLOYEE AND EMPLOYER PENSION CONTRIBUTIONS

8. The Board asked for confirmation about what happens to employee and employer pension contributions when these are refunded. A flowchart is in APPENDIX A which highlights this information.
9. Pension contributions can only be refunded to a member of the 2015 scheme that has less than three months membership. If the member has opted out of the pension scheme, the employee's contributions are refunded via payroll. The monthly remittance to pay over the contributions will have a relevant adjustment in respect of the employer's contributions.

#### OPT OUTS

10. The Board will recall that we were going to contact the 96 fire-fighters that were not in any scheme at all. The 96 members received letters in early March, but there was such a disappointing response rate that collation of any meaningful data has not been possible.
11. We are planning to contact these members via email to see if more responses can be received. Further updates will be provided at a later date.

#### INJURY PENSION REVIEWS

12. The HR Department have agreed a process in principle. This is currently being drafted and once this is agreed will be implemented; this is planned for September 2018.
13. The process will involve writing to retired firefighters that have an injury award within a 3-5 year window after retirement, or where evidence has been obtained to show that their circumstances have changed and they are fit to work. The initial communication will require the retiree to complete and return a questionnaire.

14. The HR department are currently proposing that if there is no engagement from the member, that this will end the process and that no further action will be taken. The Board are asked to consider whether they are happy with this approach and if not, what action(s) they would recommend.

#### MEMBER – ONLINE ACCESS

15. Hampshire Pension Services have had the necessary upgrade to their software system to facilitate the introduction of the new Member Portal for Fire Pension Schemes.
16. The Employer Pension Manager attended an Employer Focus group on 21 June to understand the facilities that the new Member Portal will provide. These include: -
  - (a) Ability to view and amend personal details
  - (b) Ability to view Annual Benefit Statements
  - (c) Ability to perform own estimate calculations
17. Hampshire Pension Services are aiming to implement the Member Portal in December and further communications will be sent out nearer the time.

#### GENERAL DATA PROTECTION REGULATIONS (GDPR)

18. GDPR came into effect on 25 May 2018. This primarily concerns the privacy notices and confirming how personal data will be used. HFRA are the data controllers and Hampshire Pension Services are the data processors.
19. We are compliant with GDPR and notices have been published. This information will also be covered in the Annual Benefit Statements.
20. Hampshire Pension Services are drafting a Memorandum of Understanding (MOU) with regard to data sharing with employers, rather than use a full data sharing agreement. This will be issued in due course.

#### LIFE TIME ALLOWANCE FACTSHEET

21. Previously the Board has seen sight of the Annual Allowance factsheet. A copy can be found in APPENDIX B
22. The Employer Pension Manager has now written a Life Time Allowance factsheet. The Board are asked for their views on this which can be found in APPENDIX C.

23. It is proposed that these factsheets will be published on the Employer Pension web pages and will provide a useful tool for members and employers.

#### SCHEME RECONCILIATION

24. The Board will recall that the Scheme Reconciliation was mentioned in the February report. The deadline for completing the reconciliation between Hampshire Fire Pension records and HMRC's records is December 2018.
25. Hampshire Pension Services are working closely with Civica and Intellica to complete this reconciliation and the Board will be pleased to note that they are on track to complete this work within the timescales provided.

#### CONSULTATION ON REGULATION CHANGES

26. The Home Office launched a consultation on 16 April 2018 regarding
- (a) Changes to survivors' benefit arrangements in the 2006 scheme. This was in relation to the Supreme Court judgement in the case of Brewster.
  - (b) A number of unrelated minor amendments to the legislation for all schemes to ensure that certain limited aspects of the schemes work as originally intended.
27. This consultation was issued to the Employer Pension Manager as a member of the Fire Technical Group, and then taken to the Fire employer Group for discussion. This is an important role of the Fire Employer Group in ensuring that up-coming legislative changes are communicated to the relevant parties so that the necessary action can be taken. This will hopefully aid HFRA in avoiding missing any regulation changes as they did with Temporary Promotions.
28. We replied to this consultation via the LGA and stated that we had no issues with the proposed new legislation.

#### ADDITIONAL PENSION BENEFIT'S AND TEMPORARY PROMOTIONS

29. We have undertaken some work to further establish the benefits of an Additional Pension Benefit (APB) as a result of a Temporary Promotion (TP). Through the regional Fire Pension Officer Groups we asked FRA's to respond to some questions regarding their approach to the legislative change on 1 July 2013.

30. Responses were received from 12 other FRA's; a summary of these are shown in APPENDIX D
31. The results show that from the responses received there is a 50/50 split over whether TP's are treated as pensionable or not. For those not making it pensionable the reasons given were:
- (a) Cost
  - (b) Pressure on cost cap
  - (c) Limited benefit to firefighters
  - (d) Administrative complexity
32. It is important to remember that TP's are only pensionable for members in the 1992 or 2006 schemes. TP's are not pensionable at all for members after they have tapered into the 2015 scheme.
33. Across the different schemes tapering can affect members depending on age and scheme at 1 April 2012. Tapering can occur up to 31 March 2022. The status of the schemes is as follows:

<b>Scheme</b>	<b>Active members at 31/03/2018</b>	<b>Members that will taper up to 31/03/2022</b>	<b>Members at 01/04/2022</b>
1992	158	65	93
2006	44	26	18
2006 Modified	33	2	31
<b>Sub Total</b>	<b>235</b>	<b>93</b>	<b>142</b>
2015	936		
<b>Total</b>	<b>1,171</b>		

34. Based on the figures at 31 March 2018 above, the scheme totals (assuming no new entrants and no leavers) are shown below

<b>Scheme</b>	<b>Members in scheme at 01/04/2022</b>
1992 – Protected members	93
2006 – Protected members	18
2006 Modified – Protected members	31
2015	1,029
<b>Total</b>	<b>1,171</b>

35. These tables show that the number of members that could benefit from an APB as a result of current or future TP's is reducing.
36. Illustrative examples of pension contributions paid out versus APB awarded have been produced these now include the estimated time taken for the employee to recover the pension contribution costs after retirement. The illustrations can be found in APPENDIX E and APPENDIX F.

37. The timescales for recovery will be reduced in two ways
  - (a) The APB will increase each year in line with Consumer Price Index (CPI) and
  - (b) If the member elects to commute then some of the clawback will occur immediately
38. A meeting was held recently with the Fire Representative Bodies; the issues surrounding the benefit of TP's being pensionable were discussed. They support a continuation of the original decision that TP's within the 1992 or 2006 Schemes remains pensionable.
39. Because a member can earn back their additional contributions in around 6 years and as the feedback from the Unions is that they are in favour of keeping TP's pensionable; our recommendation is to keep the TP's pensionable. The Board are asked to endorse this decision.

#### INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

40. After a formal complaint has been raised, the IDRP is the next part of the appeal process. Currently this is formed of two stages. Each stage has a different decision maker to ensure that there is objectivity and impartiality with the decisions.
41. The length of time between the complainant raising a Stage One appeal and receiving a decision from Stage Two can be quite lengthy, partly due to the time taken to collate the necessary information and partly due to the response times permitted within the guidance.
42. There is no legislation for Fire Pension schemes which prescribes that an IDRP must be two stages as there is for Local Government Pension Scheme. Guidance was drawn up and issued by CLG in 2009 after consultation with the Firefighter's pension committee and the unions which recommended that the two stage process should remain in place.
43. Clair Alcock from the LGA has a view that this guidance was introduced before the requirements of the Public Services Pension Schemes Act 2013 for pension boards in an effort to try and introduce some kind of Fire Authority governance over decisions that are being taken. Clair is taking a paper to the SAB meeting on 20 June for them to consider revising the guidance.
44. From the IDRP's that Hampshire has received, It is clear that the second stage does not currently add any value to the process as the trend shows that the decision made at stage one is always upheld. The Board are therefore asked for their views on moving to a single stage IDRP process.



## WEST SUSSEX PENSION ADMINISTRATION

45. Hampshire Pension Services have been successful in obtaining the pension administration for West Sussex County Council; this also includes the administration of West Sussex Fire pensions.
46. The timetable for the transfer of the administration does have very tight timescales and is expected to be completed in early 2019.
47. This will obviously mean an increase in workload for Hampshire Pension Services but they are confident that this will not affect their service standards. They are in the process of recruiting more staff and over time this will increase the knowledge and experience of those dealing with the pension schemes and in particular the complexities of the Fire Pension schemes.

## SURVEYS

48. The TPR Administration Scheme survey 2017 summary can be found in APPENDIX G. The full results can be viewed on TPR's website here <http://www.thepensionsregulator.gov.uk/docs/public-service-research-2018.pdf>
49. The results of this survey were presented by Neil Wilson from the TPR, in great detail, at the Police and Fire Local Pension Board Governance conference. This was attended by the Transformation Finance Manager and the Employer Pension Manager.
50. The conference covered many items relating to governance, these included
  - (a) A reminder from TPR that they are able to visit each Fire Local Pension Board to give a talk. The Board are asked for their views on this
  - (b) The frequency of Local Pension Board meetings and that ideally these should be quarterly and therefore have four meetings a year. Hampshire has three meetings a year. The Board are asked for their views on this
  - (c) Questions were raised around the effectiveness and duties of Local Pension Board members and especially about what value added activity Board members were doing outside of attending the Board meetings.
51. There was also a Local Pension Board Effectiveness Committee survey, the results from 32 FRA's can be viewed on the SAB website here <http://www.fpsboard.org/images/PDF/Bulletin6/Appendix3.pdf>

52. TPR's 2018 annual survey will include a new section on measuring the status of common and conditional data for all pension records. TPR will need answers to questions about when data was last measured and the accuracy of the data that is held.
53. Please refer to APPENDIX H which is a report from Hampshire Pension Services about how they are going to deal with this requirement.

#### COMMUNICATION

54. The Employer Pension Manager has given presentations on the pre retirement course on 20 February; the next one is on 12 July.
55. She has also given 3 pension presentations at Cosham Fire Station during April and May, and one at Basingstoke in June, there is another one scheduled at Basingstoke in September.
56. We have started a rolling programme of bitesize "pension hot topics" to appear in Routine Notice. The first one went out in early April and pointed members to the new employer web pages. This was more of an introduction to pensions.
57. The item at the end of May was about Annual Benefit Statements and the need to update their home address in ESS by the end of June.
58. The "pensions hot topic" for June was after the "Pensions" button on the fire portal home page went live. This covered a notice about the new button, but also three common queries for those with 1992 benefits that have tapered or will taper into the 2015 scheme: -
  - (a) You can still retire at the same time you initially planned to. The only question is what happens to your 2015 portion. Further information about [when to leave or retire](#) can be found on the [pension web pages](#)
  - (b) You can make different decisions about when to take each portion of benefits and about any commutation. What you do for one, you do not have to do for the other.
  - (c) When you leave or retire, your 1992 portion will be based on your substantive average final pay in the last 365 days to date of leaving. Or the best of the last three years if the latest year is not the highest.
59. The strategy of communication is to raise awareness of pensions in general and to help dispel some myths that surround the schemes, but to do so in easy to digest, short, bitesize chunks.

60. We have asked for any suggestions for future “pensions hot topics” and also each one will prompt and remind members about the employer pension web pages. The Board are asked to consider if they have any suggestion for topics.
61. Reports for the number of page views on the employer pension web pages are received monthly. These show that the communications we are putting out are reaching some as there are peaks at those times.
62. The table below shows the page views expressed as a percentage of employees, for comparison, the Police and Local Government Pension Schemes (LGPS) pages have been included.

<b>Employer pension scheme pages</b>	<b>Jan to Mar 2018</b>	<b>Apr 2018</b>	<b>May 2018</b>
HFRA - Fire Pension Scheme pages	16.0%	25.3%	6.2%
HFRA – LGPS pages	16.5%	55.8%	42.6%
Hampshire Constabulary – Police Pension pages	13.9%	0.5%	2.5%
Hampshire Constabulary – LGPS pages	18.6%	2.3%	1.4%
Hampshire County Council – LGPS pages	0.2%	1.4%	1.2%

#### RECOMMENDATION

63. The Board are asked to approve the approach to injury pension reviews as set out in paragraphs 11-13
64. That the Life time allowance factsheet as set out in paragraphs 20-22 and APPENDIX C, be endorsed by the Board
65. That the Board endorse the decision to keep temporary promotions in the 1992 and 2006 schemes pensionable as set out in paragraphs 26-35 and APPENDIX E and F
66. That the Board note the approach and information contained in the report at APPENDIX H

#### APPENDICES ATTACHED

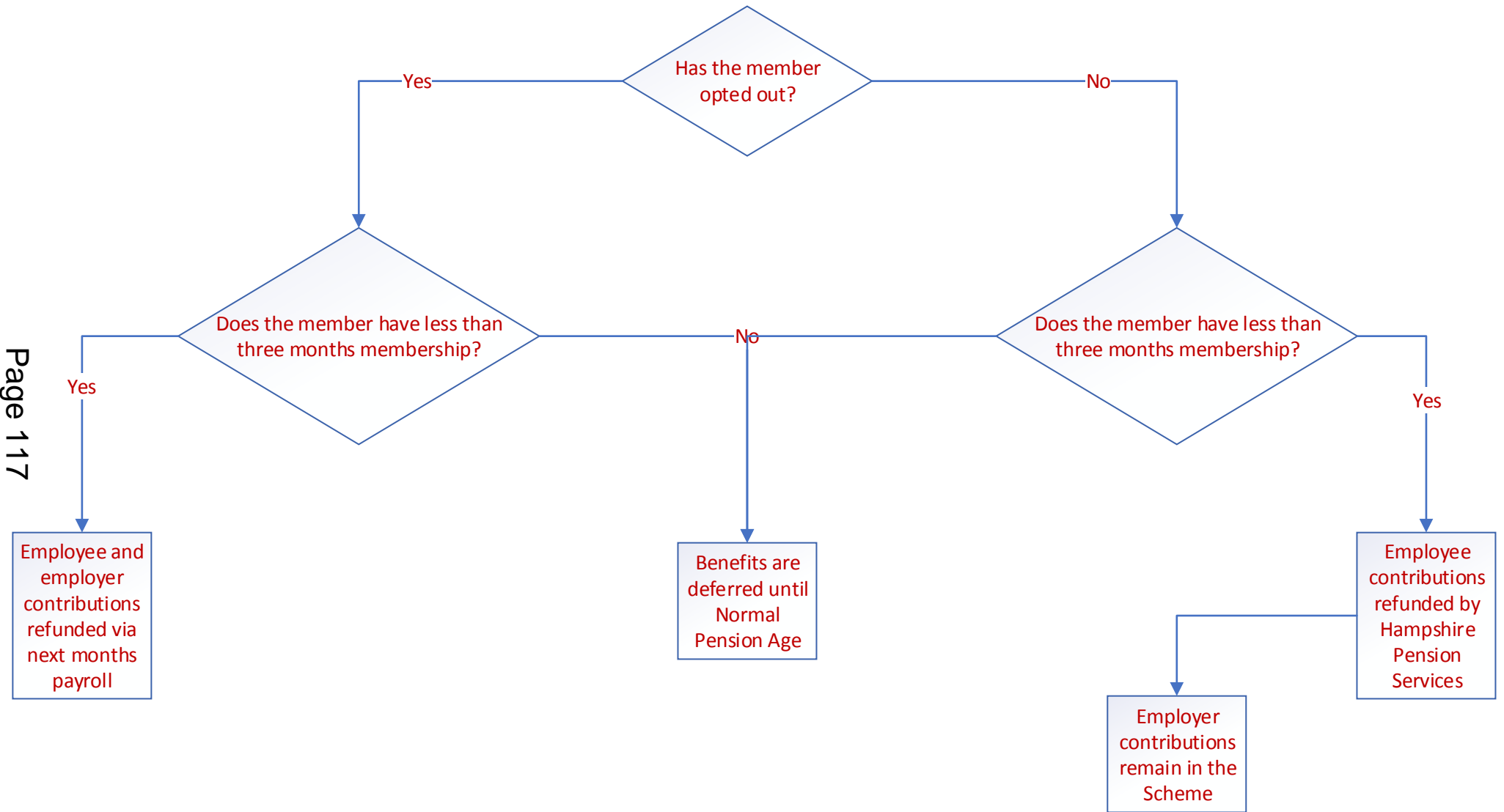
67. APPENDIX A - Fire Pension contribution refunds
68. APPENDIX B - Annual Allowance factsheet
69. APPENDIX C - Lifetime Allowance factsheet
70. APPENDIX D - FRA responses to survey
71. APPENDIX E – 1992 Illustration of APB

72. APPENDIX F - 2006 illustration of APB
73. APPENDIX G - TPR 2017 administration survey summary
74. APPENDIX H - Report from Pension Services – conditional data
75. APPENDIX I – Statement of record keeping
76. APPENDIX J – UPM validations
77. APPENDIX K – LGA draft conditional data items

Contact:

Claire Neale, Employer Pension Manager, [claire.neale@hants.gov.uk](mailto:claire.neale@hants.gov.uk),  
01962 845481

Fire Pension Scheme – refund of contributions



## Annual Allowance Factsheet

### What is Annual Allowance?

The Annual Allowance (AA) is the amount by which the value of your Pension benefits may grow (Pension Savings) in any one tax year without you having to pay a tax charge.

If the total value of your Pension Savings in any one tax year, including all Pension Savings in all pension schemes, is in excess of the AA limit, the excess will be taxed as income at your highest marginal rate of tax.

The standard AA in recent years has been as follows:

Pension Input Period (PIP)	Standard AA
1 April 2011 to 31 March 2012	£50,000
1 April 2012 to 31 March 2013	£50,000
1 April 2013 to 31 March 2014	£50,000
1 April 2014 to 31 March 2015	£40,000
1 April 2015 to 5 April 2016	PIP is split into two part year PIPs <ul style="list-style-type: none"> <li>• 1 April 2015 to 8 July 2015 - £80,000</li> <li>• 9 July 2015 to 5 April 2016 – Nil (but up to £40,000 of unused allowance from the first part year PIP can be carried forward to this part year PIP)</li> </ul>
6 April 2016 to 5 April 2017	£40,000 (unless tapering applies)
6 April 2017 to 5 April 2018	£40,000 (unless tapering applies)

### Are you likely to be affected?

Most people will not be affected by the AA tax charge because the value of their pension savings will not exceed the AA during a year, or if they do, they are likely to have unused allowance from previous years that they can carry forward.

*You are most likely to be affected if:*

- You have a lot of membership or pension build up in the Scheme and you receive a significant pay increase, or promotion, and/or;
- You are a high income earner, and/or;
- You pay a high level of additional contributions towards your pension, and/or,
- You have accessed flexible benefits from another pension scheme on or after 6 April 2015

## What is the Pension Input Period?

The Pension Input Period (PIP) is the period over which your pension growth is measured and from 2016/17 it aligns with the tax year and runs from 6 April to 5 April.

Up until 2014/15 the PIP in this scheme ran from 1 April to 31 March and special transitional arrangements were introduced for 2015/16 meaning that there were two part-year PIPs in that year, as set out below:

**First part-year PIP:** 1 April 2015 to 8 July 2015 – the standard AA limit during this period was £80,000

**Second part-year PIP:** 9 July 2015 to 5 April 2016 - the standard AA limit for this period was nil, however up to £40,000 of unused allowance from the first part-year PIP can be carried forward into this second part-year PIP.

## What is tapered Annual Allowance?

From the tax year 2016/17 the AA is tapered for members who have a **Threshold Income** in excess of £110,000 **and** an **Adjusted Income** in excess of £150,000.

- **Threshold Income: limit £110,000**  
Broadly this is your taxable income after deducting your pension contributions

You should be aware that Threshold Income includes **all** sources of income that are taxable. For example, property, savings, dividends, pensions, social security benefits (where taxable), state pension and so on.

- **Adjusted Income: limit £150,000**  
Broadly this is your Threshold Income plus your Pensions Savings built up over the tax year

The taper reduces the AA by £1 for £2 of Adjusted Income received over £150,000, until a minimum AA of £10,000 is reached. This means that from 6 April 2016 the AA for a high income earner is as follows:

<b>Adjusted Income</b>	<b>Annual Allowance (AA)</b>
£150,000 or below	£40,000
£160,000	£35,000
£170,000	£30,000
£180,000	£25,000
£190,000	£20,000
£200,000	£15,000
£210,000 or above	£10,000

## Getting further advice

If you are unsure about whether you will be affected by the AA, you should seek independent financial advice from an advisor registered with the Financial Conduct Authority (FCA) who has knowledge of the specific scheme that you are a member of.

## Will I get a Pension Savings Statement?

Hampshire Pension Services will automatically inform you if your Pension Savings in this scheme exceed the standard AA limit in any tax year by no later than 6 October of the following tax year.

Hampshire Pension Services can only calculate your AA position based on your employment in this scheme. If you have other significant sources of taxable income then you could be affected by Tapered AA (refer to the section "[What is tapered Annual Allowance?](#)"). If you think you may be close to or will exceed your AA in any one year you can ask Hampshire Pension Services for a statement.

The AA applies to your total pension savings for all tax registered pension arrangements that you still pay into. This means that you will need to obtain the growth in your pension savings from **each arrangement** you are saving with. You will need to ask Hampshire Pensions Services for a Pension Saving statement if you believe that you may exceed the standard AA limit in any one tax year because you also have Pension Savings in another Pension Scheme.

## Working out how much your benefits in this scheme have grown

To work out by how much your Pension benefits in this scheme have grown (that is, your Pension Savings or 'Pension Input Amount'), the value of your benefits at the start and the end of the Pension Input Period (PIP) are compared. This takes account of inflation to keep things fair.

If the pension input amount is more than the AA, there could be a tax charge due.

### Example – working out how much your benefits in this scheme have grown

Closing value:

Value of annual pension at end of the PIP x 16 + value of any automatic lump sum<sup>1</sup> provided by the scheme at the end of the PIP (NB: this is **not** your maximum commutation lump sum) + any Additional Voluntary Contributions (AVCs)<sup>2</sup> paid in the year.

$$£25,000 \times 16 = £400,000 + £0 + £0 = £400,000$$

less

Opening value:

Value of annual pension at start of PIP x 16 + value of any automatic lump sum provided by the scheme at the start of the PIP (NB: this is not your maximum commutation lump sum) x CPI from September prior to PIP start.

$$£20,000 \times 16 = £320,000 + £0 = £320,000 \times 1\% = £323,200$$

The difference between the two values is your Pension Input Amount for the year.

$$£400,000 - £323,200 = £76,800$$

<sup>1</sup> Automatic lump sum applies to: LGPS members with pre 2008 service or to members of the 2006 Police Pension Scheme

<sup>2</sup> Additional Voluntary Contributions applies to: LGPS members who pay contributions to Equitable Life, Zurich or the Prudential.



## What is carry forward?

You will only have a tax charge to pay if your pension savings exceed the AA by more than the amount of unused allowances you can carry forward from the previous three years. You can carry forward unused allowances as long as you have been a member of a registered pension scheme for the relevant previous years.

There are strict rules on how unused allowances from previous years can be applied and how they should be worked out. It is recommended you use [HMRC's online carry forward calculator](#) which will work out your carry forward for you and therefore help you assess whether you have a tax charge to pay.

### Example – working out carry forward and using it to offset an excess

Carry forward for the current year:  
AA limit less Pension Input Amount

$£40,000 - £76,800 = -£26,800$

Carry forward for current year = £0

Assessing the carry forward available from the previous three years to offset the excess of £26,800:

Carry forward from Year 1 = £8,000

Carry forward from Year 2 = £5,000

Carry forward from Year 3 = £7,000

Carry forward total = £20,000

$£26,800 - £20,000 = £6,800$  excess

### Working out the tax charge

You will have a tax charge to pay if your pension savings exceed the AA by more than the amount of unused allowances you can carry forward from the previous three years.

If this applies to you, you must calculate your AA tax charge based on your highest marginal rate. Pension Services cannot do this for you. [Step by step instructions on how to calculate the charge are available from HMRC](#)

### Example – working out a tax charge

Taking into account all taxable income (not just from this employment) and using HMRC guidance in the step by step instructions (see [link](#) above), in this example the highest marginal rate of tax is 40%.

Tax charge:

Excess after using AA and any carry forward x marginal highest rate of tax

$£6,800 \times 40\% = £2,720$

## Reporting the tax charge

If you exceed the AA limit in any year and have a tax charge to pay **you** are responsible for reporting this to HMRC on your Self Assessment tax return. You will need to complete the Additional Information pages of the tax return to show the amount by which your total pension input amount exceeds the annual allowance. The boxes that need to be completed for the annual allowance are in the 'Pensions savings tax charges' section (on the additional information pages (SA101) in the paper return).

If you are using a paper return you will need to ask for the additional information pages (SA101) to report the information.

Further information to help complete this part of the tax return can be found at [GOV.UK - Pension savings - tax charges on any excess over the lifetime allowance and the annual allowance](#).

### **It is also your responsibility to report your tax charge to HMRC.**

The deadline for submitting online tax returns is 31 January after the year in which the tax charge has arisen (or 31 October for paper returns). Online tax returns are completed using a Government Gateway account, it can take a couple of weeks to register and get this set up if you do not already have one.

If you've never completed a tax return (or it's been some time since you did), you will need to complete a registration form at least 20 days before the deadline to let HMRC know what's changed and to get a tax return.

### **HMRC Pensions Tax Manual – further information on reporting a tax charge to HMRC**

If you exceed the AA limit but **do not** have a tax charge to pay (because you have enough carry forward to wipe out the amount by which you exceeded), there is no further action required and you do not need to report anything to HMRC.

You should keep any pension savings statements that you receive in a safe place as you may need to refer to them in future years.

## Paying the tax charge

If you have an AA tax charge that is less than £2,000 you must pay the charge direct to HMRC via your Self Assessment tax return by 31 January following the year in which your tax charge arose.

If your tax charge is more than £2,000, and providing certain conditions are met, you may be able to elect for Hampshire Pension Services to pay some or all of your tax charge on your behalf and in return your pension benefits in this Scheme will be reduced accordingly. This is called the Scheme Pays facility.

## Scheme Pays

If an election to use Scheme Pays is made to meet the tax charge then a consequential permanent adjustment (Scheme Pays debit) will be made to your pension benefits.

A Scheme Pays debit will be calculated in respect of each tax year that you elect to use Scheme Pays; using an implementation date of the relevant Pension Input Period (PIP) end date.

There are various factors that will determine which Government Actuary Department (GAD) factor table should be used.

- The pension scheme you are a member of,
- Your gender,
- Your normal pension age and
- Your age in years at the relevant implementation date

### Example – working out the Scheme Pays debit

Tax charge = £2,720

Age at relevant date = 45

Scheme Pays factor = 9.96

Annual Allowance debit =  $£2,720 / 9.96 = £273.09$

The amount of £273.09 will be a permanent deduction from your annual pension.

This amount will increase each year in line with the Consumer Price Index (CPI) until your retirement.

## Disclaimer

The information contained in this factsheet is meant as a guide only and does not constitute financial advice. If you have any queries with regard to your Annual Allowance position then you should seek independent financial advice from an advisor registered with the Financial Conduct Authority (FCA) who has knowledge of the specific scheme that you are a member of.

## Lifetime Allowance Factsheet

### What is Lifetime Allowance?

The lifetime allowance (LTA) is a limit on the total value of your pension savings that you can have without triggering an excessive benefits tax charge.

This includes:

- Your benefits in this scheme, and
- Any pension benefits you may have in other tax-registered pension arrangements.

But it does not include:

- State pensions and dependant's pensions.

If the value of your pension benefits, when they come into payment, is more than the lifetime allowance, or more than any protections you may have, you will have to pay tax on the excess benefits.

The lifetime allowance was introduced in 2006 and was steadily reduced from 2012/13 to 2017/18. From 2018/19 onwards the LTA increases each year in line with inflation, see below:

Tax Year	Lifetime Allowance
2011/12	£1.8 million
2012/13	£1.5 million
2013/14	£1.5 million
2014/15	£1.25 million
2015/16	£1.25 million
2016/17	£1 million
2017/18	£1 million
2018/19	£1.03 million

### How and when is my pension tested against the LTA limit?

When you draw benefits or if you should die before taking any benefits, a benefit crystallisation event (BCE) takes place and the value of your benefits are tested against the lifetime allowance.

This scheme is a defined benefit scheme and the value of any lump sum and annual pension that you will receive are used in the test. The annual pension is after all relevant deductions: -

- after any pension has been converted for extra lump sum
- after any benefits have been reduced for retiring early
- after the application of a pension debit (on divorce)
- after the application of any deduction for Scheme Pays debit

## APPENDIX C

The value of your benefits is worked out as follows:-

### **Example – Calculating the crystallised value of your benefits**

#### **For pensions already in payment before 6 April 2006**

Current value of annual pension, including any Pensions Increase x 25 (any lump sum already paid is ignored)

$$£25,000 \times 25 = £625,000$$

#### **For pensions that start to be drawn on or after 6 April 2006**

Value of annual pension that will be paid to you (after any reductions, debits and conversion for lump sum) x 20 + value of any lump sum taken + any Additional Voluntary Contributions (AVCs)<sup>1</sup> that you may have.

$$£25,000 \times 20 = £500,000 + £134,000 + £0 = £634,000$$

### **Do you know the value of your combined pension benefits?**

The LTA covers any pension benefits you may have in all UK tax-registered pension arrangements and some overseas schemes.

You will need to add up the value of your benefits and how much you have across all your pension arrangements (excluding State pensions and dependant's pensions).

Your pension scheme administrator(s) may already send you information that will help you to find out the value of your combined pension savings. If not you should contact your pension scheme administrator(s) for more information. This information will help you if you need to apply to protect your pension savings from the lifetime allowance tax charge.

For all of the pension schemes that Hampshire Pension Services administers, they provide the current value of your LTA used in each employment on your Annual Benefit Statement. They will also provide this information in notification to you of your retirement benefits when you retire.

When any pension arrangement you may have is put into payment, you use up some of your lifetime allowance – so even if your pensions are small and will not be more than the lifetime allowance, you should keep a record of any pensions you receive. If you have a pension in payment before 6 April 2006, this will be treated as having used up part of your lifetime allowance.

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<sup>1</sup> Additional Voluntary Contributions only applies to LGPS members only who pay contributions to Equitable Life, Zurich or the Prudential.

### What is the maximum lump sum available?

You are allowed to draw up to 25% of the total value of your pension benefits, or 25% of your remaining standard LTA, if this is lower.

### What if the value of all of my benefits exceeds the LTA?

When you take your benefits from this scheme, if the capital value of those benefits is more than your available LTA you will have to pay tax on the excess.

#### **Example – Calculating the excess over the LTA (Commutation within HMRC limits<sup>2</sup>)**

Annual pension = £50,000

Lump sum = £120,000

Total crystallised value of benefits  
(£50,000 x 20) + £120,000 = £1,120,000

Standard LTA = £1,030,000

Excess over LTA = £1,120,000 - £1,030,000 = £90,000

### What will the tax charge be?

The way that the tax charge is to be applied, will depend on how the excess is paid. If the excess benefits are taken as a lump sum they will be taxed once only at 55%.

#### **Example – Calculating the lump sum tax charge**

Convert the excess to an annual pension amount  
£90,000 / 20 = £4,500

Calculate how much lump sum this provides  
£4,500 x 12 = £54,000

Calculate the tax charge  
£54,000 x 55% = £29,700

Balance of lump sum not taxable  
£54,000 - £29,700 = £24,300

Lump sum payable = £120,000 – £29,700 + £24,300 = £114,600  
Annual pension payable = £50,000 - £4,500 = £45,500

<sup>2</sup> HMRC limits on commutation can be exceeded by the 1992 Fire Pension Scheme and the 1987 Police Pension Scheme.

## APPENDIX C

If your excess benefits are paid as a pension the tax charge will be 25% of the capital value of the excess; the ongoing pension payments will also be subject to income tax.

### **Example – Calculating the annual pension tax charge**

Calculate the tax charge  
 $£90,000 \times 25\% = £22,500$

Lump sum payable =  $£120,000 - £22,500 = £97,500$

Annual pension payable =  $£50,000$

### **Paying the tax charge**

You can choose to pay the tax charge yourself direct to HMRC via your Self Assessment tax return by 31 January following the year in which your tax charge arose.

Alternatively you can elect for Hampshire Pension Services to pay your tax charge on your behalf and in return your pension benefits in this Scheme will be reduced accordingly. This is called the Lifetime Allowance pension debit facility.

### **Lifetime allowance pension debit (LTAPD)**

If an election to use LTAPD is made to meet the tax charge then a consequential permanent adjustment (LTAPD) will be made to your pension benefits.

There are various factors that will determine which Government Actuary Department (GAD) factor table should be used.

- The pension scheme you are a member of,
- Your gender,
- Your age last birthday at retirement

### **Example – Working out the LTAPD**

Tax charge =  $£22,500$

Age at relevant date = 60

Scheme Pays factor = 18.56

Annual Allowance debit =  $£22,500 / 18.56 = £1,212.28$

The amount of  $£1,212.28$  will be a permanent deduction from your annual pension.

Lump sum payable =  $£120,000$

Annual pension payable =  $£50,000 - £1,212.28 = £48,787.72$

## **Reporting the tax charge**

If you exceed the LTA limit and have a tax charge to pay **you** are responsible for reporting this to HMRC on your Self Assessment tax return. You will need to complete the Additional Information pages of the tax return to show the amount by which your total pension input amount exceeds the LTA. The boxes that need to be completed for the LTA are in the 'Pensions savings tax charges' section (on the additional information pages (SA101) in the paper return).

If you are using a paper return you will need to ask for the additional information pages (SA101) to report the information.

Further information to help complete this part of the tax return can be found at [GOV.UK - Pension savings - tax charges on any excess over the lifetime allowance and the annual allowance.](#)

## **It is your responsibility to report your tax charge to HMRC.**

The deadline for submitting online tax returns is 31 January after the year in which the tax charge has arisen (or 31 October for paper returns). Online tax returns are completed using a Government Gateway account, it can take a couple of weeks to register and get this set up if you do not already have one.

If you've never completed a tax return (or it's been some time since you did), you will need to complete a registration form at least 20 days before the deadline to let HMRC know what's changed and to get a tax return.

[HMRC Pensions Tax Manual – further information on reporting a tax charge to HMRC.](#)

## **Your pension savings may already be protected**

If you have applied for a previous protection i.e. enhanced protection, primary protection, fixed protection 2012, individual protection 2014 or fixed protection 2014 you should have received a certificate to confirm your protection.

However you may still be subject to the LTA charge if you lose this protection.

You can find more information about these protections and when they may be lost at [Tax on your private pension contributions.](#)

## **Individual Protection 2016 (IP2016)**

You can apply for IP2016 from 6 April 2016 if you have pension savings valued at over £1 million (including taking into account past benefits already in payment) on 5 April 2016. However, if you have primary protection you can't apply for IP2016.

IP2016 gives a protected LTA equal to the value of your pension rights on 5 April 2016 - up to an overall maximum of £1.25 million. You will not lose IP2016 by making further savings in to your pension scheme but any pension savings in excess of your protected LTA will be subject to an LTA charge.



### **Fixed Protection 2016 (FP2016)**

You can apply for FP2016 from 6 April 2016 if you expect your pension savings to be more than £1 million (including taking into account past benefits already in payment) when you come to take them on or after 6 April 2016. FP2016 can be used to help reduce or mitigate the lifetime allowance charge.

However, because FP2016 is lost if your benefits increase by more than the cost of living increase in any one tax year, if you apply for and wish to keep FP2016 you must have opted out of this scheme with effect from 6 April 2016 (because the cost of living increase in 2016/17 was zero and thus any increase in your benefits on and after 6 April 2016 will result in the loss of FP2016).

You can't have FP2016 if you already have primary, enhanced, fixed protection 2012 or fixed protection 2014.

With FP2016 your LTA is fixed at £1.25 million rather than the standard LTA.

FP2016 will also be lost if you start a new pension arrangement, other than to accept a transfer of existing pension rights, or if you pay contributions into a money purchase pension arrangement, other than to a life assurance policy providing death benefits that started before 6 April 2006. You will also be subject to restrictions on where and how you can transfer benefits.

If you lose FP2016 you must electronically notify HMRC within 90 days of the day on which you could first reasonably be expected to have known that an event had occurred causing you to have lost this protection.

### **Applying for Fixed and Individual Protection 2016**

HMRC have introduced an [online self-service](#) for pension scheme members to apply for IP2016 or FP2016.

Although there is no application deadline for IP2016 or FP2016, you must apply before you take your retirement benefits. You will need to inform HMRC of the value of your pension savings on 5 April 2016. You should be aware that Hampshire Pension Services is only obliged to provide you with this up to 5 April 2020.

If you want to rely on this protection, you will need to provide Hampshire Pension Services with the relevant HMRC reference number.

Once you have successfully applied for protection the online service will provide you with a reference number which you will need to keep.

### **Disclaimer**

The information contained in this factsheet is meant as a guide only and does not constitute financial advice. If you have any queries with regard to your Lifetime Allowance position then you should seek independent financial advice from an advisor registered with the Financial Conduct Authority (FCA) who has knowledge of the specific scheme that you are a member of.

## FRA Temporary Promotion (TP) survey results

Fire Authority	Effective date change in TP rules applied	TP made pensionable (P) or non pensionable (NP)	Any intention to review decision	Comments
Cambridgeshire	01/07/2013	NP	No	Financial.
Derbyshire	01/07/2013	NP	No	Economic constraints and reductions in budget made it very difficult to justify using such a discretion. The facility is costly with a comparatively lower return on investment for Firefighters and employers alike. Additionally, it opens the pension scheme to unnecessary risk that may contribute to breaching the 2% cost cap.  DFRS has chosen to focus resources on reducing the need for TP (the lead-time on these initiatives means their effectiveness is still being measured) so that fewer firefighters find themselves in this position in the first place.
Essex	01/09/2014	P	Yes	Amendment order was missed and implemented late. Decided to keep TP pensionable (as an APB) as it provides the employee with a benefit.  This may be subject to review in the future as:- <ul style="list-style-type: none"> <li>· Difficult to explain and understand the benefit;</li> <li>· Difficult to administer;</li> <li>· Consistency - we treat TP in the FPS 2015 as non-pensionable.</li> </ul>
Lincolnshire	01/11/2013	NP	No	Membership (supported by FBU) saw no benefit in APB with temp pay not being incorporated into final pensionable pay. Authority similarly saw no economic benefits in contributing to a relatively small pensionable benefit.
Merseyside	01/07/2013	P	No	-
Nottinghamshire	01/07/2013	NP	No	The Fire Authority took a decision at its meeting on the 27 September 2013 that temporary promotions would not be pensionable in response to the Statutory Instruments affected from 1 July 2013 which gave Authorities new discretions.
Oxfordshire	01/07/2013	P	No	-

APPENDIX D

<b>Fire Authority</b>	<b>Effective date change in TP rules applied</b>	<b>TP made pensionable (P) or non pensionable (NP)</b>	<b>Any intention to review decision</b>	<b>Comments</b>
Shropshire	01/07/2013	P	No	We have treated most additional payments as pensionable.  For Temporary promotions it was considered fair that the member got the benefit of the additional pay to count towards their pension.
South Wales	01/04/2013	P	No	The change in the legislation was missed and SWFRA have only just implemented the change. They backdated the implementation date to 1st July 2013.
Suffolk	Have not yet implemented			We are currently looking at the whole area of Pensionable pay and looking at Temporary Promotion as part of this. We are happy to share our decision once made in relation to the above. We would appreciate any guidance from the SAB/LGA in relation to the pensionable status of Temporary Promotion as it would be sensible to have a universal approach across all FRA's.
West Midlands	01/07/2013	P	No	The FRA made the decision based on a recommendation from the Joint Working Party (JWP). At the JWP meeting the FBU Representative pointed out that as the scheme member could commute part of the APB for a Lump Sum, in most cases, the cost of the contributions would be recovered in extra pension within around 5 years of retirement. The JWP agreed with this view and recommended the payment be Pensionable, despite the increased cost to the Authority.
West Yorkshire	01/07/2013	NP	No	Management Board agreed for all temporary promotions to be classed as non-pensionable.

## APPENDIX E

### Example of Additional Pension Benefit (APB) calculation for a member of the 1992 scheme

<b>APB factors dependant on age and scheme</b>	<b>1992 scheme</b>
APB factor at age 30	10.8
APB factor at age 35	12.5
APB factor at age 40	14.5
APB factor at age 45	16.6
APB factor at age 50	19.1

#### **Pay and allowances**

Firefighter pay at 01/04/2017	£29,368.00
10% pensionable allowance	£2,936.80
<b>Total annual pensionable pay</b>	<b>£32,304.80</b>

#### **Contribution rates dependant on pay and scheme**

Employee contribution rate*	14.70%
Employer contribution rate	21.30%
Notional ill health contribution	1.60%
<b>Total contribution rate</b>	<b>37.60%</b>

\* Based on pensionable pay between £30,909 and £41,212

#### **Amount of contributions paid on allowance dependant on scheme**

Employee's contributions (£2,936.80 x 14.70%)	£431.71
Employer's contributions (£2,936.80 x 22.90%)	£672.53
<b>Total amount of pension paid on allowance</b>	<b>£1,104.24</b>

#### **Amount of APB to be added to pension dependant on age and scheme**

APB awarded if age 30 at relevant date (£1,104.24 / 10.8)	£102.24
APB awarded if age 35 at relevant date (£1,104.24 / 12.5)	£88.34
APB awarded if age 40 at relevant date (£1,104.24 / 14.5)	£76.15
APB awarded if age 45 at relevant date (£1,104.24 / 16.6)	£66.52
APB awarded if age 50 at relevant date (£1,104.24 / 19.1)	£57.81

#### **Length of time after retirement for employee to recover contribution payments**

APB awarded at age 30 (£431.71 / £102.24)	4yrs 81dys
APB awarded at age 35 (£431.71 / £88.34)	4yrs 324dys
APB awarded at age 40 (£431.71 / £76.15)	5yrs 244dys
APB awarded at age 45 (£431.71 / £66.52)	6yrs 179dys
APB awarded at age 50 (£431.71 / £57.81)	7yrs 171dys

## APPENDIX F

### Example of Additional Pension Benefit (APB) calculation for a member of the 2006 scheme

<b>APB factors dependant on age and scheme</b>	<b>2006 scheme</b>
APB factor at age 30	8.3
APB factor at age 35	9.7
APB factor at age 40	11.5
APB factor at age 45	13.3
APB factor at age 50	15.4

#### **Pay and allowances**

Firefighter pay at 01/04/2017	£29,638.00
10% pensionable allowance	£2,963.80
<b>Total annual pensionable pay</b>	<b>£32,601.80</b>

#### **Contribution rates dependant on pay and scheme**

Employee contribution rate*	10.90%
Employer contribution rate	14.20%
Notional ill health contribution	2.60%
<b>Total contribution rate</b>	<b>27.70%</b>

\* Based on pensionable pay between £30,909 and £41,212

#### **Amount of contributions paid on allowance dependant on scheme**

Employee's contributions (£2,963.80 x 10.90%)	£323.05
Employer's contributions (£2,963.80 x 16.80%)	£497.92
<b>Total amount of pension paid on allowance</b>	<b>£820.97</b>

#### **Amount of APB to be added to pension dependant on age and scheme**

APB awarded if age 30 at relevant date (£820.97 / 8.3)	£98.91
APB awarded if age 35 at relevant date (£820.97 / 9.7)	£84.64
APB awarded if age 40 at relevant date (£820.97 / 11.5)	£71.39
APB awarded if age 45 at relevant date (£820.97 / 13.3)	£61.73
APB awarded if age 50 at relevant date (£820.97 / 15.4)	£53.31

#### **Length of time after retirement for employee to recover contribution payments**

APB awarded at age 30 (£323.05 / £98.91)	3yrs 97dys
APB awarded at age 35 (£323.05 / £84.64)	3yrs 298dys
APB awarded at age 40 (£323.05 / £71.39)	4yrs 192dys
APB awarded at age 45 (£323.05 / £61.73)	5yrs 85dys
APB awarded at age 50 (£323.05 / £53.31)	6yrs 22dys

# Public service governance and administration survey

Summary of results and commentary

## Background

We regulate the governance and administration of public service pension schemes, which provide pensions for over 16.7 million civil servants, members of the judiciary, local government, teachers, health service workers, members of fire and rescue services, members of police forces and members of the armed forces.

Our Code of Practice no. 14, available at [www.tpr.gov.uk/code14](http://www.tpr.gov.uk/code14), sets out the standards of conduct and practice we expect from public service pension schemes.

We open cases based on the risks we see in schemes and in response to breach of law and whistleblowing reports. Where standards are not being met and issues are not being resolved we consider enforcement action, including the use of improvement notices and civil penalties.

To help us focus our efforts, we surveyed public service pension schemes in autumn 2017 to assess how they were being run. This built on previous surveys in autumn 2016 and summer 2015. In this latest survey we have further examined certain risks and areas of underperformance that schemes identified in previous years.

As in previous years, the survey was an online self-completion questionnaire which was sent for the attention of each scheme contact. We received responses from 191 of the 207 public service pension schemes, covering 98% of memberships. This allows us to draw robust conclusions from the results. This policy summary also draws from the engagement we have undertaken with schemes over the past year through casework, board meetings, training sessions, conferences and speaking events.

This report sets out how we have interpreted the findings, our expectations of those involved in running the schemes and what we will be doing over the next year to address these issues. It accompanies the full research report which shows the responses to all survey questions.

## Summary

The survey supports our existing assessment that the top risks in this landscape are around scheme governance, record-keeping and internal controls, but identifies significant improvements in these areas. Many more schemes are now meeting the basic governance standards, allowing us to focus on building further improvements.

Overall, we were pleased by the significant improvements in performance across most of the areas addressed in the survey, in particular the much improved governance reported by the Police and Fire schemes. While they continue to lag behind their peers, we anticipate that these schemes will continue to show improvements across all governance areas in 2018.

In the third year of having a statutory deadline, 60% of schemes reported that all members had received their annual benefit statement on time. This is a commendable improvement on the previous year when less than half (43%) of schemes met the deadline.

We are pleased to see increased engagement from scheme managers and pension boards in running the schemes. However, the survey shows that over two-fifths (43%) of schemes hold fewer than four meetings a year. In our view, this provides inadequate opportunity for pension boards to effectively carry out their role and raises concerns about the quality of governance.

We also see signs that that process improvements have stalled in some Local Government schemes. This group was also the one that was least likely to respond to the survey and we are concerned about the risks of disengagement. Because of the specific challenges faced by Local Government schemes, we expect to focus casework activities on this group in the coming year.



## Scheme governance

The results of this year's survey have shown encouraging improvements in scheme governance. The Police and Fire schemes deserve a particular mention for the improvements they have made over the last year, from a low base. It is also noticeable that the group of centrally administered schemes has also shown improvements in governance, which is pleasing given that they are generally large and complex arrangements.

All six of the key processes monitored by us have improved since 2015, and three have shown improvements since 2016. Of these six processes, the most notable increase has been in schemes that have a documented policy to manage board members' conflicts of interest. This was in place in 92% of schemes, an increase of 11 percentage points since 2016.

A similar improvement was seen in schemes with documented procedures for assessing and managing risks. These are now present in 83% of schemes, an increase of 11 percentage points since 2016.

These items are basic features of scheme governance and we expect this year's improvements to continue. By the end of the year, all schemes should have a conflicts of interest policy and procedures for assessing and managing risks in place.

One of our main messages to public service schemes over the past year has been about the importance of good quality scheme data. It is therefore disappointing to see an apparent fall in the number of schemes with processes to monitor records for accuracy and completeness. This year, 15% of schemes stated that they did not have these in place, a decline of four percentage points since 2016. This suggests that schemes may have reviewed the processes they believed they had in place and have found them either absent or inadequate.

Only 58% of schemes have all six key processes in place. This leaves over 4.8 million members (29%) in a scheme that does not have a complete set of basic governance features in place.

Good governance is essential to pension schemes delivering good member outcomes. This is a key focus for us, through our ongoing programme on 21st century trusteeship and governance, which can be found at [www.thepensionsregulator.gov.uk/21st-century-trusteeship](http://www.thepensionsregulator.gov.uk/21st-century-trusteeship).

We are pleased that there appears to be a greater awareness of their governance duties among scheme managers and pension boards<sup>1</sup>. However, we remain concerned that scheme managers are not always working well with pension boards. While 85% of surveys were completed

<sup>1</sup> Further information regarding the roles and responsibilities of those involved in governing public service pensions schemes can be found at [www.thepensionsregulator.gov.uk/public-service-schemes/roles-and-responsibilities.aspx](http://www.thepensionsregulator.gov.uk/public-service-schemes/roles-and-responsibilities.aspx)

with the involvement of the scheme manager, the pension board chair was only involved in 45% of responses, and pension board members in just 16%. This may lead to a biased or unbalanced view of the performance and risks facing the scheme.

We also have doubts about the commitment shown towards scheme governance. Encouragingly, while 88% of scheme managers or their representatives now attend every pension board meeting, these meetings occur less than quarterly in 43% of schemes. This appears to only be an issue in locally administered schemes, and is independent of the size or structure of a scheme. We do not believe that schemes can be governed effectively through occasional meetings, particularly given the time dependent nature of many of the issues to be addressed.

The infrequent nature of meetings in many schemes may result in a superficial assessment of the challenges they face. Despite four-fifths (80%) of schemes saying they had the resources and knowledge needed to run the scheme effectively, a third (31%) do not actually regularly evaluate the performance or effectiveness of the board.

Over the coming year we will continue to focus on improving governance in public service pension schemes. In addition to our 21st century governance work, we will continue to educate scheme managers and pension boards through face-to-face meetings, and we will work with scheme advisory boards and other stakeholders to reach disengaged scheme managers. The vast majority of respondents have used the resources on the public service section of our website and have found them useful. We would encourage schemes to make further use of them. Materials online include practical guidance on how to comply with legal requirements such as an example risk register, an internal controls checklist and a self assessment tool enabling schemes to identify issues and ways to address them.

Engagement by TPR was identified by 43% of schemes as a driver of improved governance and administration in the last year. We believe by clearly communicating about the standards we expect from all parties, and by providing tools to help schemes meet these standards, we can continue to support improvements in governance and administration. Schemes and other interested parties may request a speaker from TPR at their events by using our speaker request form at <https://secure.thepensionsregulator.gov.uk/speaker-request.aspx>.

## Record-keeping

Failure to maintain complete and accurate member records will affect a scheme's ability to carry out its most basic function; paying the right members the right benefits at the right time. Record-keeping issues in public service schemes are well known and 39% of respondents identified this as a top risk to their scheme. Schemes reported that almost a fifth (18%) of breaches of law were caused by a failure to maintain records or rectify errors.

### Data

We have made our expectation clear that all schemes should do an annual data review. However, 17% of schemes had not carried out a data review in the last twelve months, and a further 8% were not sure. The value of regular data reviews is clear; 69% of schemes carrying them out identified issues, an increase of 9% from last year. However, the survey still raises concerns about how effective some of the data reviews have been. It is questionable that just over a quarter (28%) that had carried out a review did not identify any issues.

We are aware that some schemes have embarked on a multi-year process intended to review and reconcile their data and we welcome this activity. While the scope of these plans is not clear, we are not surprised that few schemes have completed the rectification of their data (7%), given the scale of the projects to be undertaken. It may be difficult and uneconomic to rectify all data issues at one time, and we support schemes that prioritise the work in a structured, sequential way.

In the past year, we have set out our expectations around data security and provided additional guidance on developing a good data improvement plan. We will consider enforcement action where scheme managers fail to demonstrate that they are taking appropriate steps to improve their records, including having a robust improvement plan in place.

For the first time, the 2018 scheme return will ask schemes to report on their common and scheme specific data scores. While our research indicates that a good proportion of schemes are familiar with these terms, we will be producing further material for scheme managers on this subject. We also intend to work with scheme advisory boards this year to encourage the creation of common data standards that can be adopted by employers to ease the problems faced by schemes and their employers.

Employer compliance with data standards continues to be an issue for schemes and was recognised as a barrier to improving governance and administration by 28% of schemes. Timely data was provided to all employers in just 37% of schemes, and accurate data was received from all employers by less than a third (30%) of schemes. Scheme managers should work with employers to ensure processes are effective and fit for purpose, and take action to rectify issues in the first instance. The use of penalties by schemes remains low, and we would encourage schemes to take all reasonable measures available to them before asking us to intervene with our own powers.

## Administration

Pension boards should pay close attention to the performance of their scheme administrators, since they are critical to the good running of the scheme. It is notable that two of the top three causes of complaints received by schemes<sup>2</sup> have a basis in poor administration and poor record-keeping.

We have made it clear that schemes and pension boards should focus on administration as a key influence on data quality and member outcomes. It is therefore disappointing that administrators operate without service level agreements in place in over a quarter (26%) of schemes and that only a fifth (20%) of schemes use penalties where service or contractual standards are not met. This lack of accountability by administrators is most noticeable in the 46% of schemes that are managed in-house, or where administration is outsourced to another public body (24%).

Schemes should ensure that administration is a feature of every pension board meeting (24% currently do not), so they have sight of emerging issues and trends. Administrators can also provide regular reports to the scheme manager (17% of schemes do not do this). Schemes may wish to consider whether to obtain assurance reports on the performance of their administrators, or to commission assurance reports themselves.

<sup>2</sup>  
Inaccuracies or disputes around pension value or definition (31%) and slow or ineffective communication (30%)

## Internal controls

Scheme managers, pension board members and other parties have a duty to report breaches of the law to us in certain circumstances. Nine out of ten schemes (90%) now have procedures in place to identify (92%) and report (91%) breaches of law. This is a significant improvement from previous years. Fewer schemes had identified or reported any breaches of law this year, and we attribute this to the improvement in producing annual benefit statements. However, we remain concerned that schemes may be choosing not to report material breaches in certain circumstances as they are concerned about the potential consequences.

## Member communications

Public service schemes must provide annual benefit statements to active members by a specific deadline, generally 31 August. This year, respondents reported that 92% of members received their annual benefit statement on time, a significant improvement on the 75% seen in 2016. However, only 60% of respondents reported that all their members received their statements on time. We recognise that public service pension schemes initially faced challenges meeting their new duties. However, we expect schemes to have made significant progress by now and will have much less tolerance for shortcomings this year.

## Taking action

Scheme managers should be aware that we are more likely to use our enforcement powers this year. Where we open cases, we will work with the schemes involved to resolve gaps in their risk and breach of law processes. When considering action or setting fines, we will take into account a party's co-operation with us, and their efforts to put things right. For example, those who fail to report breaches to us quickly could receive a higher penalty for a breach, and an additional penalty for a failure to report. You can find further information in our monetary penalty policy at [www.tpr.gov.uk/ps-monetary](http://www.tpr.gov.uk/ps-monetary).

We have taken, and will take, enforcement action where scheme managers have not taken sufficient action to address issues or meet their duties. In line with our compliance and enforcement policy (found at [www.tpr.gov.uk/strategy](http://www.tpr.gov.uk/strategy)), we will continue to publish reports of our regulatory activities - including enforcement activity - to encourage higher standards.

## How to contact us

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[www.tpr.gov.uk](http://www.tpr.gov.uk)

[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

Free online learning for trustees

[www.pensionseducationportal.com](http://www.pensionseducationportal.com)

Free online learning for those running public service schemes

## Public service governance and administration survey

Summary of results and commentary

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The Pensions  
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## APPENDIX H



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Purpose: Noted

Date **5 July 2018**

Title **DATA QUALITY AND RECORD KEEPING**

Report of Chief Finance Officer

### SUMMARY

1. This report provides an update on data quality and record keeping from Hampshire Pension Services.

### BACKGROUND

2. For the first time this year, Scheme Managers of public sector schemes are required to report the data quality score for their schemes to the Pensions Regulator in the annual return due in November.
3. The score measures two types of data; common and conditional. Common data is made up of 11 data items covering surname, forename, NI number, sex, date pensionable service started, membership status, target retirement age, last status event, postcode, address and date of birth.
4. Conditional data is scheme specific and refers to the information that is required in order for the administrator to be able to pay pension benefits. The Scheme Advisory Board has a project in place to define a standard list of conditional data items for Fire pension schemes so that there is consistency between authorities.

### CURRENT POSITION

5. Pensions have not previously had a mechanism to measure and report on data quality. Consequently the record keeping plan has been limited to a description of the controls in place to ensure accurate data is entered and maintained on the pensions software (APPENDIX I).
6. As data quality could not be measured, there was no starting point from which to develop a data improvement plan, beyond the business as usual process reviews and continuous improvement cycle that Pensions operate.

## APPENDIX H

7. Pensions now have two tools in place, which will be more established by the time of the TPR report in the autumn:
  - (a) Scheme validation reports within the UPM pensions software
  - (b) Data Analysis and Reporting Tool (DART) which complements UPM and allows wider analysis
8. The scheme validation reports cover 28 validations, mainly focussed on common data items (APPENDIX J).
9. These reports have been run for the first time in June 2018 and provide a baseline of data quality. This is covered in more detail in the section below.
10. DART is a tool which works alongside the pensions software to allow reporting and analysis on the data held in the system. This software has been purchased from the South Yorkshire Pensions Authority and will be installed on the Hampshire systems in the summer. Prior to the purchase of the software, South Yorkshire provided Pensions with an initial analysis using the DART reports. Work is currently underway with a data cleansing project using this initial DART analysis, and focussed on key common data aspects such as postcodes and addresses.
11. The LGA has just issued a draft of the conditional data items which will be agreed across LGPS funds (APPENDIX K). It is anticipated that the Fire and Police schemes will use the LGPS list as the starting point for developing their scheme specific data items. Once these lists have been agreed, the pensions software supplier Civica will be able to develop the data validation reports for the conditional data. In the meantime, the DART tool will be used to focus on particular areas of concern.
12. This data cleansing work is being done alongside the normal pensions processes which are designed to ensure that data is correctly input at all stages of a member's pension (on becoming a member, changes during employment, on leaving pensionable employment and on receiving pension payments and dependant's benefits).

### COMMON DATA SCORE

13. Using the UPM reports for actives, deferreds, pensioners and dependants has produced an overall common data score of 91.35%. The table below shows the breakdown of the score, as well as the number of actual data items that would need to be corrected to achieve a score of 100%.



## APPENDIX H

Status	Number of members	Number with 100% common data	Common data score	Data items (total)	Number of data items to be corrected	% of incorrect data items
Actives	1,202	1,084	90.18%	22,838	129	0.56%
Pensioners	932	906	97.21%	17,708	30	0.17%
Deferreds	826	708	85.71%	15,694	136	0.87%
Beneficiaries	138	132	95.65%	2,622	5	0.19%
<b>Total</b>	<b>3,098</b>	<b>2,830</b>	<b>91.35%</b>	<b>58,862</b>	<b>300</b>	<b>0.51%</b>

14. Of the 300 data items, 221 are a missing scheme retirement date. This is not an issue for processing pensions as the information is held on the record, but just not in the field which is being picked up in the standard validation report. However, the date will be added to this field so that these members are not flagged when the reports are next run.
15. Based on this analysis it is likely that by the time the data is produced for the report in November 2018, the score will be at 100% for common data. Once the conditional data fields are agreed, and new validation reports are available, a baseline assessment can be carried out and a data improvement plan put in place.

### RECOMMENDATION

16. The Board are asked to note the approach and information contained in this report

### APPENDICES ATTACHED

17. APPENDIX I – Statement of record keeping
18. APPENDIX J – UPM validations
19. APPENDIX K – LGA draft conditional data items

Contact:

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01962 847600

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## **Statement on Record Keeping**

Hampshire Pension Fund (HPF) complies with the Pension Regulator's code of practice on Governance and Administration of public service pension schemes.

HPF must keep records of information relating to:

- Member information
- Transactions
- Pension board meetings and decisions.

The legal requirements are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').

HPF operates processes and systems to support the record keeping requirements, which are kept under review and assessed to ensure effective compliance. Reliance is placed on reports and analysis of data and assurance is taken from the work of internal audit.

A data improvement plan highlights areas of risk and the plans in place to improve the quality of the data.

### **Member information**

Member information is held on the electronic pension administration system, UPM. It can be categorised into common and conditional data. The Record Keeping Regulations specify that the information shown in the table below must be held for all members.

<b>Information type</b>	<b>Active member</b>	<b>Deferred member</b>	<b>Pensioner member</b>
Name	<p>Provided by employer. Verified by member on receipt of starter letter (no response if correct). Employer or member inform PS of any change and provide documentation.</p>	<p>Member to inform PS of any change whilst a deferred member and provide documentation. Verification when claim benefits via documentation eg marriage certificate or passport.</p>	<p>Member to inform PS of any change whilst a pensioner member and provide documentation.</p>
Date of birth	<p>Provided by employer. Verified by member on receipt of starter letter (no response if correct). Verification on retirement via documentation e.g. birth certificate if not already held on system.</p>	<p>No change expected whilst a deferred member but is shown on electronic record and verified by documentation when benefits are claimed.</p>	<p>Included in retirement letter details but no change expected once a pensioner member.</p>
Gender	<p>Provided by employer. Verified by member on receipt of starter letter (no response if correct). Employer or member inform PS of any change and provide documentation.</p>	<p>Member to inform PS of any change whilst a deferred member and provide documentation.</p>	<p>Member to inform PS of any change whilst a pensioner member and provide documentation.</p>
Address	<p>Provided by employer. Contact whilst an active member is electronic or via employer. Member can inform PS directly.</p>	<p>Provided by employer when leaves. DB letter sent to this address and requires member to keep Fund informed of any changes.</p>	<p>Member to inform PS of any change. Pensioners sent at least one payslip a year, payment suspended if mail returned and address investigated.</p>

<b>Information type</b>	<b>Active member</b>	<b>Deferred member</b>	<b>Pensioner member</b>
Reference number	Member reference is NI or UPM unique identifier, held electronically and used in correspondence.	Member reference is NI or UPM unique identifier, held electronically and used in correspondence.	Member reference is NI, UPM unique identifier or pensioner payroll number, held electronically and used in correspondence.
National Insurance number	Provided by employer. Verified by member on receipt of starter letter (no response if correct).	Held electronically and used in correspondence.	Held electronically and used in correspondence. Verified by HMRC through RTI.
Start and end date in scheme	Provided by employer and held electronically on record.	Verified by employer when leaves and held electronically on record.	Verified by employer on retirement and held electronically on record.
Service and Earnings information	Provided annually by employer and recorded on UPM. Shown on annual benefit statement so member can raise queries.	Shown on UPM and used in DB letter. No change once deferred pension calculated.	N/A
Formula for calculating entitlement	Coded into UPM and detailed on website / starter information.	Coded into UPM and detailed on DB letter and website.	Coded into UPM and detailed on retirement letter and website.
Revaluation %	Coded into UPM and detailed on website / annual benefit statement.	Coded into UPM and detailed on website / annual benefit statement.	N/A
Pension increase	N/A	N/A	Coded into UPM and detailed in pensioner newsletter / website.
Pension credit information	Set up on UPM as per any other type of member with specific pension credit information.	Set up on UPM as per any other type of member with specific pension credit information.	Set up on UPM as per any other type of member with specific pension credit information.
Pension debit information	Held on UPM and detailed in member letter.	Held on UPM and detailed in member letter.	Held on UPM and detailed in member letter.

## Transactions

The Record Keeping Regulations specify that the following transactions must be recorded.

Transaction	Place of record
Employer and member contributions	Paid monthly by employer, recorded in general ledger and remittance forms held for 3 years plus current. Reconciled monthly and verified against annual returns which are held in UPM.
Payment of pensions and benefits	Recorded in UPM against individual record. Posted into general ledger daily (single payments) and monthly (pensions).
Other payments	Recorded in UPM against individual record.
Transfer out	Recorded in UPM against individual record.
Refunds	Recorded in UPM against individual record.
Payments to employers	Shown in general ledger against employer code.
Amounts written off	Recorded on spreadsheet and reported in annual accounts.

## Board meetings and decisions

The Record Keeping Regulations specify that details of any pension board meeting are kept including the date, time and attendees at each meeting together with the decisions made. Full information about the Hampshire Pension Fund Panel and Board is held on the County Council's democratic services webpages <http://democracy.hants.gov.uk/mgCommitteeDetails.aspx?ID=189>

## List of UPM validations for TPR data quality reporting

Ref	TPR report validation	TPR type	Relevant status
1	Invalid or Temporary NI Number	Common	All
2	Gender is not Male or Female	Common	All
3	Missing (or known false) Date of Birth	Common	All
4	Missing Surname	Common	All
5	Incorrect Gender for members title	Common	All
6	Invalid Date of Birth	Common	All
7	No entry in the status history	Common	All
8	Last entry in status history does not match current status	Common	All
9	Category of membership status not on member record	Common	All
10	Member has missing scheme	Common	All
11	Member has no address (status Active Deferred Pensioner)	Common	All
12	Date of Birth is after Date Joined Scheme	Common	All
13	Invalid marital status	Common	All
14	Members Title is missing or invalid	Common	All
15	Missing Forename(s)	Common	All
16	Missing Scheme Retirement Date	Common	All
17	Missing postcode	Common	All
18	Missing Date Joined Pensionable Service	Common	All
19	Check for commas in members address	Common	All
20	Duplicate effective date in status history	Conditional	Active, Deferred
21	Duplicate entries in status history	Conditional	Active, Deferred
22	Member has no employing company recorded	Conditional	Active
23	Member has no pay location	Conditional	Active
24	Member does not have a place of work on the service history	Conditional	N/A
25	Member does not have a place of work	Conditional	N/A
26	Active or Deferred member past expected retirement date	Conditional	Active, Deferred
27	Non Active member with missing date of leaving	Conditional	Deferred, Pensioner
28	Invalid pension type	Conditional	All

	Common data items	Validation reference
1	Surname	4
2	First name	15
3	NI number	1
4	Sex	2, 5, 13, 14
5	Date pensionable service started	18
6	Membership status	8, 9, 10
7	Target retirement date	16
8	Last status event	7, 8
9	Postcode	17
10	Address	11, 19
11	DOB	3, 6, 12

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number of broad data records listed

The TPR example of what data is common is here (and applies to all classes of member)

<http://www.thepensionsregulator.gov.uk/docs/measure-data-guide.pdf>

The TPR illustrative list of conditional data is here

<http://www.thepensionsregulator.gov.uk/docs/record-keeping-guidance-conditional-data-table.pdf>

active	25
deferred	27
pensioner	19
dependant	14
total	85

Member status	conditional data record	data description
active	Type of membership	Normal or 50:50
active	Automatic enrolment date	Applicable for active 50:50 members
active	Current employer	Employer code(s) of Member's employer(s)
active	Date joined current employer	If different from date joined fund
active	Previous employers	Employer code(s) of Member's former employer(s) and employment dates since date joined fund (plus any for aggregated service)
active	Qualifying service	Total amount
active	Reckonable service	Split as necessary to calculate benefits and reflect aggregated service
active	Purchased service	eg added years
active	Transfer in service credit	As in TPR illustrative list, including amount of TV, source, credit awarded, GMP included, date of transfer, if CARE revaluation applying
active	Pension sharing order details	Per debit (credit) including any lump sum debits and reference to associated credit (debit)
active	Pension attachment order details	Details of benefits to be paid to ex-spouse/ex-partner (formerly earmarking orders)
active	Annual allowance tax charge debits	Per debit including any lump sum debits and other information needed to administer annual allowance tax charges paid by scheme
active	Full time equivalent pay history	Including amounts and dates, as required for Final Pensionable Salary definition as if applied at current date
active	Actual pay history	Including amounts and dates, since 1 April 2014
active	Contribution history	For each year of active membership (as in TPR illustration)
active	Current part time hours	As a percentage
active	PensionType	ie active member account as per LGPS 2013 part 1 regulation 22
active	CARE pension	On the basis that this is recorded and uprated annually, split as necessary to reflect aggregated service, added pension
active	CARE partner pension	On the basis that this is recorded and uprated annually, allowing for full rate partner accrual for 50:50
active	Date unreduced benefit first payable	Split by tranches of accrued pension, including CRD and separate records of each debit and any credits
active	Date contracted out	If different from date joined fund; should be post 05/04/1978
active	GMP benefits	Split pre / post 1988 as appropriate ; or full earnings and contributions during contracted out service prior to 1997
active	GMP last revaluation date	Split pre / post 1988 as appropriate
active	Other guarantee details	IH protection or underpin applying if specific to member
active	AVC fund	Details of contributions, holdings, provider



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deferred	27
pensioner	19
dependant	14
total	85

Member status	conditional data record	data description
deferred	Previous employer	Employer code of Member's former employer
deferred	Date of deferral	if not in common data (eg retired or TVOUT members)
deferred	Automatic enrolment date	Applicable for members who have opted out but are still entitled to be automatically enrolled back into the scheme
deferred	Qualifying service	Total
deferred	Reckonable service	split as necessary to calculate benefits
deferred	Purchased service	eg added years
deferred	Transfer in service credit	in line with TPR illustration
deferred	Pension sharing order details	Per debit (credit) including any lump sum debits and reference to associated credit (debit)
deferred	Pension attachment order details	Details of benefits to be paid to ex-spouse/ex-partner (formerly earmarking orders)
deferred	Annual allowance tax charge debits	Per debit including any lump sum debits and other information needed to administer annual allowance tax charges paid by scheme
deferred	Full time pay at exit	
deferred	Contribution history	For each year of active membership (as in TPR illustration)
deferred	PensionType	ie deferred member account as per LGPS 2013 part 1 regulation 22
deferred	CARE pension	At date of exit including revaluation to date of exit
deferred	CARE partner pension	At date of exit including revaluation to date of exit, allowing for full rate partner accrual for 50:50
deferred	Date unreduced benefit first payable	split by tranches of accrued pension, including CRD and separate records of any debits and credits
deferred	Revalued deferred pension benefit	split by date unreduced benefit first payable, including separate records of any debits and credits
deferred	Revalued deferred lump sum benefit	split by date unreduced benefit first payable
deferred	Revalued deferred partner benefit	split by date unreduced benefit first payable
deferred	Date last revalued	
deferred	Date contracted out	If different from date joined fund; should be post 05/04/1978
deferred	GMP benefits	Split pre / post 1988 as appropriate ; or full earnings and contributions during contracted out service prior to 1997
deferred	GMP last revaluation date	split pre / post 1988 as appropriate
deferred	Other guarantee details	IH or underpin applying if specific to member
deferred	AVC fund	details of contributions, holdings, provider
deferred	LTA tax charge paid	if by scheme
deferred	Unauthorised payment and trivial commutation details	If appropriate: nature, amount, and date paid

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deferred	27
pensioner	19
dependant	14
total	85

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Member status	conditional data record	data description
pensioner	Previous employer	Employer code of Member's former employer
pensioner	PensionType	eg retirement, flexible retirement, ill health retirement, pension credit account as per LGPS 2013 part 1 regulation 22
pensioner	Data of leaving active service	in line with TPR illustrative list
pensioner	Date pension started	if not in common data (eg deceased members)
pensioner	Initial pension benefit	At retirement split by tranches of accrued pension pre commutation eg NPA60, NPA 65, CARE, CAY, AVC, Tier1-3
pensioner	Lump sum benefit	split by accrued, purchased and commuted and paid and outstanding (if any)
pensioner	Initial pension benefit post commutation	At retirement split by tranches of accrued pension post commutation eg NPA60, NPA 65, CARE, CAY, AVC, Tier1-3
pensioner	Initial partner pension benefit	At retirement split by tranches of accrued pension
pensioner	Current pension benefit	split by tranches of accrued pension including separate records of any debit and credits, and Tier1-3 enhancements
pensioner	Current contingent partner benefit	split by tranches of accrued pension
pensioner	Date last revalued	
pensioner	Pension sharing order details	Per debit (credit) including any lump sum debits and reference to associated credit (debit)
pensioner	Pension attachment order details	Details of benefits to be paid to ex-spouse/ex-partner (formerly earmarking orders)
pensioner	Annual allowance tax charge debits	Per debit including any lump sum debits and other information needed to administer annual allowance tax charges paid by scheme
pensioner	Date contracted out	If different from date joined fund; should be post 05/04/1978
pensioner	GMP benefits	split pre / post 1988 as appropriate
pensioner	GMP last revaluation date	split pre / post 1988 as appropriate
pensioner	Lifetime allowance charge paid	If appropriate: amount, and date paid
pensioner	Unauthorised payment and trivial commutation details	If appropriate: nature, amount, and date paid
dependant	Previous employer	Employer code of deceased partner's former employer
dependant	PensionType	ie survivor pension account as per LGPS 2013 part 1 regulation 22
dependant	Date pension started	if not in common data (eg deceased dependants)
dependant	Initial pension benefit	At retirement split by tranches of accrued pension pre commutation eg NPA60, NPA 65, CARE, CAY, AVC
dependant	Lump sum benefit	split by accrued and commuted and paid and outstanding (if any)
dependant	Initial partner pension benefit	At retirement split by tranches of accrued pension
dependant	Current pension benefit	split by tranches of accrued pension
dependant	Current contingent partner benefit	split by tranches of accrued pension
dependant	Date last revalued	
dependant	Date deceased member contracted out	If different from date joined fund; should be post 05/04/1978
dependant	GMP benefits	split pre / post 1988 as appropriate
dependant	GMP last revaluation date	split pre / post 1988 as appropriate
dependant	Lifetime allowance charge paid	If appropriate: amount, and date paid
dependant	Unauthorised payment and trivial commutation details	If appropriate: nature, amount, and date paid