



**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

HIWFRA Standards and Governance Committee

Purpose: Noted

Date: **24 JULY 2023**

Title: **FIRE PENSION BOARD ANNUAL REPORT (2022/23)**

Report of Chief Financial Officer

SUMMARY

1. This is the annual report from the Fire Pension Board to the Standards and Governance Committee and summarises the work of the Board for the 2022/23 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, holding four meetings, during the 2022/23 financial year:
 - (a) 19 April 2022
 - (b) 5 July 2022
 - (c) 12 October 2022
 - (d) 31 January 2023
4. The July meeting saw the re-election of Stew Adamson to Chairman and Richard Scarth 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 2023.
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) Communications
 - (b) Temporary Promotions and Additional Pension Benefits
 - (c) Risk review
 - (d) McCloud remedy and Immediate Detriment
 - (e) Matthews remedy
6. The pension board status and other associated reports can be found in APPENDICES A – I.

TPR SCHEME RETURNS

7. It was reported to the Board that the Employer Pension Manager completed the annual pension scheme returns for The Pension Regulator. This survey requires information to be submitted about scheme membership numbers, details of the scheme manager, Fire Pension Board members, details of the administrator and other relevant contact details.
8. TPR also require data scoring which consists of common data and scheme specific conditional data. The common data score is made up of things like personal data such as name, address, date of birth etc, while the scheme specific data score varies from scheme to scheme and for Fire would include specific things such as membership data including any transfer in details, CPD, temporary promotions etc.
9. The table below shows the scores for year ending 31 March 2021 and the latest year 31 March 2022, which shows that improvements have already been made across most areas.

Year end	31/03/2021 (Includes all IOW membership numbers and in the data scoring)					
TPR Scheme Return	November 2021					
Scheme	Actives	Deferreds	Pensioners	Beneficiaries	Common Data Score	Conditional Data Score
1992 Fire Pension Scheme	61	70	945	162	98.71%	95.51%
2006 Fire Pension Scheme	11	440	62	7	95.45%	98.00%
2006 Modified Fire Pension Scheme	22	48	100	6	97.73%	93.18%
2015 Fire Pension Scheme	1,209	557	9	8	98.23%	96.77%
Total	1,303	1,115	1,116	183		

Year end	31/03/2022					
TPR Scheme Return	November 2022					
Scheme	Actives	Deferreds	Pensioners	Beneficiaries	Common Data Score	Conditional Data Score
1992 Fire Pension Scheme	22	82	966	161	99.00%	96.00%
2006 Fire Pension Scheme	20	431	71	7	96.00%	99.00%
2006 Modified Fire Pension Scheme	2	47	107	6	98.00%	98.00%
2015 Fire Pension Scheme	1,634	688	19	8	99.00%	97.00%
Total	1,678	1,248	1,163	182		

RISK REVIEW

10. There are a variety of items in pension administration and governance which contain elements of risk to varying degrees. Risks are captured through a variety of ways; some are on the risk register, while others are picked up as part of the regular horizon scanning that the Employer Pension Groups do.
11. These groups are now well established, meeting regularly and include representatives across the board from pensions, HR, finance and others.
12. The Board review the risk register at each meeting and during the 2022/23 year. Updates to the risk register were applied in the areas of the Matthews and McCloud remedies.

COMMUNICATION

13. The Board heard that three pension presentations had been made to new recruits and the Employer Pension Manager had also delivered pension presentations at three pre-retirement courses over the year.
14. The Board were pleased to note that the HIWFRA is represented widely in the fire sector as the Employer Pension Manager attends a number of national and local meetings, including the Fire Communications Working Group, the Fire Technical Group, the South East Fire Pension Officers Group. She also attends the fortnightly Fire Pension online coffee mornings.
15. The Employer Pension Manager is also a member of the Local Pension Board Effectiveness Committee which is one of the three SAB committees. And over the last year has been part of the Cross Whitehall Project Management Group and a Home Office Technical Working Group for the McCloud remedy. And more recently has accepted an invitation to join the Matthews Technical Working Group.

MEMBER PORTAL

16. At the January 2023 meeting it was reported to the Board that the overall fire pension scheme membership, taking into account active, deferred and pensioner members stood at 47.76%, with 52.73% of the active membership registered for the portal.

HISTORICAL CONTRIBUTION RATES

17. It was reported to the Board that there had been an issue with on-call members who had paid the wrong employee contribution rate between 1 April 2012 and 31 March 2021 whilst employed and paid by IoW Council.

18. The Board heard that at the July meeting of the Standard's and Governance Committee a report had been received and a recommendation that recovery of the underpayments was not pursued was approved.
19. It was reported to the Board at their October 2022 meeting that letters had been sent to the 109 affected members informing them of the underpayment and the decision by HIWFRA to not collect this from members.

TEMPORARY PROMOTION AND ADDITIONAL PENSION BENEFITS

20. There was an amendment to legislation on 1 July 2013 which allowed individual FRAs to decide whether the additional pay received because of a temporary promotion for 1992 and 2006 schemes was pensionable or not. Legislation means that temporary promotions within the 2015 Scheme are not pensionable.
21. In 2016, HFRA took the decision to make temporary promotions within the 1992 and 2006 schemes pensionable, which meant that firefighters would now earn an Additional Pensionable Benefit (APB) whilst on Temporary Promotion.
22. The maximum cost envelope as agreed by HIWFRA of the estimated costs for the 41 protected members in the relevant cohorts were £291,000 for lump sums and £38,700 a year for annual pensions.
23. Up to 2021/22 there had been 36 retirements and it was reported to the Board that the differences that have been paid out so far for these members were broadly in line with the estimated figures prepared in 2016.
 - (a) Total of all lump sum differences paid are £272,203.47
 - (b) Annual pensions differences paid for 2021/22 are £38,426.07
24. The remaining 5 members are still in employment and could retire at any point. There are a number of factors which could mean that the estimated figures might be exceeded:
 - (a) A different retirement date to the one used in the estimate
 - (b) Pay increases since 2016 to date of retirement
 - (c) A protected and unbroken period of temporary promotion which continues until date of retirement
 - (d) The increase in the commutation factors for the 1992 scheme that came into effect in October 2018.
25. It was reported to the Board that two of the retirements in the 2021/22 had significantly different retirement figures when compared to the revised

estimates calculated in 2021. This is primarily as the members in question received Immediate Detriment at their retirement and this therefore meant a change to their benefits.

26. In addition there have been a number of previously retired firefighters in this cohort who either reached age 55 in the current year or will do in the next few years. This means that full pensions increases need to be applied to their pension which can mean that in the year they turn age 55 there is a significant increase in the annual pension payable.
27. These variances, which could not have been anticipated when calculated in 2021, now mean that we are likely to exceed the revised cost cap envelope agreed by HIWFRA.
28. Revised estimates were carried out on the one affected member along with estimates of increases that would apply up to 2026/27; the Board were notified that we would therefore be seeking approval from the Fire Authority to increase the cost cap on annual pensions by £11,300 to £50,000.

McCLOUD AGE DISCRIMINATION REMEDY

29. The Board were kept updated about situation with Immediate Detriment which was paused in December 2021 by HIWFRA. The Scheme Manager's recommendation to HIWFRA was that the risks are still very high and to some degree, unquantifiable, and it is therefore not advisable to proceed.
30. A paper outlining the options, risks and recommendations went to the Standards and Governance Committee in July 2022 and they approved the decision to continue the pause on Immediate Detriment. The Board heard that should revised guidance and or legislation become available which will mitigate the risks for HIWFRA then the decision and options will be reviewed at that point.
31. The Board heard how the Prospective McCloud remedy was implemented for 54 Fire Pension Scheme members. Letters were sent to these members advising them of the change from 1 April 2022 and notifying them that they would be moved into the 2015 Scheme from that date.
32. It was reported to the Board that in June 2022, letters were sent to all current active members of the Fire Pension Scheme to advise them if their employment was in scope or out of scope for the Retrospective McCloud remedy.
33. Some additional work was then carried out due to the Home Office clarifying the position on eligibility for Fire Pension Schemes. This resulted in a further 112 letters being sent to members who had initially received an out of scope

letter to advise them that due to the clarification, they were now in scope for the Retrospective McCloud remedy.

34. In January 2023, the Board heard that the Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022) allows 18 months for members to be provided with their Retrospective McCloud remedy options. All of this time will need to be utilised due to the number of cases and the complexities of the schemes.
35. The Board also heard how across the Police and Fire sectors collaboration work with stakeholders had taken place to identify what would be an acceptable priority order. A timetable has been drawn up, which has received agreement from the SAB, and is designed to help pension administrators deal with cases in a logical order, taking account of statutory dates, Immediate Choice cases, Deferred Choice cases and Miscellaneous cases.
36. It was reported to the Board that when Hampshire Pension Services have identified the number of cases in each cohort for all their clients they will then be able to firm up a realistic timetable which can be shared with members. This will help to manage member expectations about when they will receive their personal information allowing them to make an informed election.

MATTHEWS REMEDY

37. The Matthews remedy applies to retained firefighters with employment between certain dates and via a second options exercise will allow members to backdate their membership of the Modified Fire Pension Scheme to the start date of their employment.
38. The Board heard that across Hampshire and the Isle of Wight, 897 members past and present have so far been identified as being in scope for the Matthews remedy.
39. The Matthews remedy will run for 18 months, alongside the McCloud remedy and some members will be affected by both remedies.
40. It was reported to the Board that work is at the early stages of this project and that some warm up communications are planned to be sent to the in scope members during spring of 2023. The project will also require close working with the IBC Pensions Admin Team and also the Isle of Wight payroll team as they will need to retrieve pay data as far back as is possible.

FUTURE ISSUES

41. The Fire Pension Board annual report has identified considerable development across a variety of areas. The focus for the coming year includes:
- (a) Implementation of the McCloud remedy
 - (b) Implementation of the Matthews remedy
 - (c) Impact of Pensions Dashboards

CONCLUSION

42. As set out in this report, there has been continued progress across all areas of fire pensions during 2022/23; in particular around governance and control, together with significant improvements in the quality and range of pension information that is available to firefighters.
43. For 2023/24, the year will be about sustaining the continuous improvement and building on the foundations that have been put in place. It will also be a challenging year with a number of upcoming changes to the pension schemes.
44. Although the list of future issues only contains three items, the volume of work for each of these should not be underestimated. Each area will have its own complexities and challenges and having the right amount of resources in place will be key.
45. HIWFRA fire pensions are in a good place as there is already a robust structure in place with the Employer Pension Manager, the Employer Pension Groups and the McCloud Remedy Working Group which are an excellent multi-departmental resource across the Shared Services partnership and they will be crucial in co-ordinating the work involved.

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| <p>46. That the content of the report be noted by the HIWFRA Standards and Governance Committee</p> |
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APPENDICES ATTACHED

47. APPENDIX A – Fire Pension Board report (April 2022), [report](#), [appendices](#)
48. APPENDIX B - Legislation and Local Government Association (LGA) Update report (April 2022), [report](#), [appendices](#)
49. APPENDIX C – Fire Pension Board report (July 2022), [report](#), [appendices](#)
50. APPENDIX D - Legislation and Local Government Association (LGA) Update report (July 2022), [report](#), [appendices](#)
51. APPENDIX E - Pension Administration update report (July 2022), [report](#)
52. APPENDIX F – Fire Pension Board report (October 2022), [report](#), [appendices](#)
53. APPENDIX G - Legislation and Local Government Association (LGA) Update (October 2022), [report](#), [appendices](#)
54. APPENDIX H – Fire Pension Board report and Risk Review (January 2023), [report](#), [appendices](#)
55. APPENDIX I - Legislation and Local Government Association (LGA) Update (January 2023), [report](#), [appendices](#)

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