



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

HIWFRA Firefighters Pension Board

Purpose: Noted

Date: **21 NOVEMBER 2024**

Title: **FIREFIGHTERS PENSION BOARD STATUS REPORT AND RISK REGISTER REVIEW**

Report of Chief Financial Officer

SUMMARY

1. This report provides an HIWFRA specific activity update. Due to the crucial stages in the implementation of the McCloud and Matthews remedies and the importance and complexity of this work, the report mainly focuses on these issues.

COMMUNICATION

2. The HR team delivered presentations to new recruits and at the pre-retirement course in October.
3. Communications were issued in Routine Notice in September to remind staff how to raise pension related queries. These were a repeat of the communications issued in July.
4. Following the issue of Annual Benefit Statements, communications were published in Routine Notice. These highlighted more detailed information on the Pension Services website. This information was revised following feedback from members.

MEETINGS

5. Representatives from HIWFRA, IBC pensions administration and Hampshire Pension Services continue to attend information sharing

meetings as appropriate. The Chief Financial Officer also attended a pensions session at the national Fire Finance Network conference.

6. Monthly meetings between Hampshire Pension Services and the Chief Financial Officer, to review bulletins and to agree on actions have continued.
7. The Chief Financial Officer continues to attend McCloud remedy working group meetings with representatives from Pension Services, IBC pensions administration and Hampshire Constabulary.
8. Representatives from the HR team and from the Pension Board attended the Local Government Association Annual Firefighters Pension Conference.
9. The Local Government Association came to the service in November to present to the HR team. The session covered a wide range of pensions topics.

McCLOUD REMEDY

10. Since the last pension board meeting, some significant progress on the implementation of the McCloud pension remedy has been made.
11. A key milestone in the remedy timetable was to produce Remediable Service Statement Annual Benefit Statements for active and deferred members by 31 August 2024.
12. By 31 August the position for the service was as follows:

	Expected	Produced	Outstanding	% Produced	% Outstanding
Active	571	559	12	97.9	2.1
Deferred	336	216	120	64.3	35.7
Total	907	775	132	85.4	14.6

13. By 20 September there were 3 active and 12 deferred statements outstanding. All statements have now been issued.
14. The fact that the statements were not all issued by 31 August 2024 is a breach. The Local Government Association have recommended that all breaches are reported to the Pensions Regulator. Following this meeting, the breach and the current situation will be reported to the Pension Regulator.
15. The statements were produced using a nationally agreed template. Officers within the Service and Pension Services have been dealing with a large number of queries relating to the statements. Recipients of statements with

queries are encouraged to contact Pension Services so that queries can be addressed and feedback to the national team on the format of statements can be provided.

16. Communications attempted to clarify the action needed by members in receipt of a statement. The key points to note are that:
 - (a) Members do not need to make a choice about the benefits they wish to receive until they reach retirement.
 - (b) Some members who are planning to return to their legacy scheme (usually the 1992 scheme) will owe contributions. These can be paid in the three months following the issuing of the Remediable Service Statement each year or can be paid on retirement. Interest applies to these contributions.
 - (c) Some members who are planning to return to their legacy scheme (usually the 2006 scheme) will be owed a refund of contributions. These refunds can be dealt with in the three months following the issuing of the Remediable Service Statement each year or on retirement. Interest will also be applied.
17. The next deadline was to produce Remediable Pension Savings Statements (which covered the entire remedy period plus 2023 and 2024) by 6 October 2024. These statements were issued to people who had breached annual allowance thresholds and need to take action relating to tax. These statements were issued by the deadline.
18. This means that the following parts of the McCloud remedy are now complete:
 - (a) Remediable Service Statements issued to pensioners who retired on ill health grounds and the beneficiaries of deceased firefighters
 - (b) Remediable Service Statements for active and deferred members
 - (c) Pension Savings Statements
 - (d) Remedy for people who have retired since 1 October 2023.
19. The next stage of the remedy is to produce statements for members who retired between the start of the remedy period in 2015 and 1 October 2023. Production of these statements remains a manual and time-consuming process but work is underway. The focus will initially be on members who were unprotected (i.e. transitioned immediately to the 2015 scheme) or members who were taper protected (i.e. transitioned during the remedy period).
20. The final cohort to be addressed are members who were fully protected in the legacy scheme i.e. those who did not transition to the 2015 scheme. Advice on this cohort has been sought and it is clear that these members will each need to be issued with Remediable Service Statements, setting out their options i.e. to move to the 2015 scheme for the remedy period.

21. Communication to these members will attempt to reassure members and need to be carefully considered to avoid unnecessary concern.
22. Last meeting Board members were briefed on a potential tax issue concerning those members who originally took a lump sum in excess of the 25% allowable by HMRC. The issue was that any new tax owing could not be offset against tax paid to date. The Board were supportive of a risk based decision to proceed with remedy for people who had retired on ill health grounds and the beneficiaries of deceased firefighters on the basis that this tax issue would be resolved.
23. The issue has now been resolved so the processing of other pensioner cohorts can continue without this tax risk.
24. Currently the remedy is on track to be delivered within the statutory deadline. However, there is a risk that statements for fully protected members may not all be produced by the 31 March 2025 deadline. This will be monitored over the coming months.
25. The Service has not yet opened a compensation scheme. Officers are considering how a scheme could work, taking the need for national consistency into account.

MATTHEWS REMEDY

26. Significant progress on the Matthews remedy has now been made, as set out in the table below:

	Number of individuals	Number of individuals
Total cohort in scope	920	
Have expressed an interest	394	
➔ Have had a statement issued		337
➔ Have had their case fully processed		0
Details are being traced	141	
Third reminder by recorded delivery	385	

27. Of the 394 members who have expressed an interest 85.5% (337) have had a statement issued. Currently no cases have been fully completed, although work is underway to address this as a matter of priority.
28. Third reminder letters will be sent by recorded delivery. If letters are received, no further action will be taken. If letters are undeliverable then tracing will be carried out.

29. Although the issuing of a significant number of statements has been a positive step, it has resulted in a high volume of queries for those people who are struggling to understand the output they have received.
30. The HR team have been working on responses to these queries, including using resources from the Local Government Association and locally developed answers. Following initial delays, questions are now being responded to more promptly, apart from in complex cases where external guidance needs to be sought.
31. It is likely that some Matthews processing will pass the 31 March 2025 deadline. Scheme manager discretion can be exercised to allow this to continue. It is also possible that the statutory deadline may be reviewed.
32. As further complexities and anomalies with the Matthews remedy emerge, the risk of the need to complete a further options exercise remains. National discussion on these issues is being monitored by officers.

RISK REVIEW

33. There are a number of items in pension administration and governance which contain elements of risk. These are captured on the specific Pension Board risk register. Currently there are no pension related risks on the organisational risk register.

RISK REGISTER

34. Last meeting risk 10, relating to the ability to offset previous tax payments against new tax payments for lump sums was added. This risk has been removed as the issue is now resolved.
35. The likelihood of risk 5 (failure to implement the McCloud remedy within statutory timescales) has been increased from 3 to 4. However, given that the risk is around statements for fully protected members, the impact of this has been reduced from 3 to 2.
36. Risk 8 relating to the embedded HR team and pension responsibilities has been reduced as the team have now completed pension training and are building their knowledge of this area.
37. Risk 11 relates to the risk that elements of the Matthews remedy will need to be repeated. This risk is not yet mitigated.

RECOMMENDATION

38. That the content of the report be noted by the HIWFRA Firefighters' Pension Board
39. That the reporting of the breach on Annual Benefit Statements to the Pension Regulator be noted
40. That the risk register as set out in paragraphs 33 - 37 and Appendix A be approved by the HIWFRA Firefighters' Pension Board

APPENDICES ATTACHED

41. APPENDIX A – Risk Register

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