



## FPS Bulletin 10 – July 2018

Welcome to the tenth issue of the Firefighters' Pensions Schemes bulletin.

Looking for information on a certain topic? As we continue to cover more topics, don't forget to visit the issue and content indexes which have recently been added to the main bulletin page of the website and are updated following each new issue.

If you have any comments on the contents of this bulletin or suggested items for future issues, please contact [Claire Hey](#).

## Contents

### [Calendar of events](#)

#### [FPS](#)

- [FPS 2006 special member tax relief claims – important!](#)
- [New factsheet - Eligibility to join FPS](#)
- [New way of submitting queries to the Bluelight team - reminder](#)
- [Deferred Benefit Statements \(DBS\)](#)

### [Website resource update](#)

- [Consolidated regulations](#)
- [Guides and sample documents](#)

### [Other News and Updates](#)

- [The Pensions Ombudsman Service \(TPOS\) newsletter 4](#)
- [Beware cold-calls from fraudsters claiming to be from TPR](#)

### [HMRC](#)

- [Annual allowance calculator - back online](#)
- [HMRC newsletters/bulletins](#)
- [Contracting-out reconciliation update](#)

### [Training](#)

- [AGM – save the date](#)

### [Legislation](#)

[Useful links](#)

[Contact details](#)

## Calendar of events

Please see below a calendar of upcoming events relevant to the Firefighters' Pension Schemes. Only those events which are hyperlinked are currently available to book. If you have any events you would like to be included in a future bulletin, please contact [Claire Hey](#).

South East regional FPOG	3 August 2018
Firefighter Pensions Technical Community	17 September 2018
Firefighters' Pensions AGM	17-18 September 2018
Fire Communications Working Group	24 September 2018
LPB effectiveness committee	25 September 2018
North East regional FPOG	27 September 2018
SAB	4 October 2018
Civica Fire & Police Technical meeting	11 October 2018
Midlands regional FPOG	26 October 2018
SAB	5 December 2018

## FPS

### [FPS 2006 special member tax relief claims – important!](#)

As you may be aware HMRC have temporarily halted processing tax relief claims on contributions paid to join the 'modified section' of the 2006 scheme as a special member. This has been while HMRC have been investigating issues arising from the process of claiming tax relief. In order to continue their investigations, HMRC will be writing out to Fire & Rescue Authorities shortly to request information about individuals that joined the scheme and the options they took. We advise FRAs to urgently supply the information requested. Pension boards in their role of ensuring compliance should note the request and seek confirmation this information has been supplied.

Further updates will be provided when HMRC have completed their investigations. Fire and Rescue Authorities will be kept informed of developments through these bulletins.

We would like to take the opportunity to remind FRAs that all correspondence regarding special members of the 2006 scheme are published [here](#). Password protected, please contact [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk) if you request access.

[Click here to return to Contents](#)

## New factsheet - Eligibility to join FPS

A new factsheet on [eligibility to the Firefighters' Pension Schemes](#) has been published on the [factsheets](#) tab of the FPS Regulations and Guidance website. This has been developed in response to queries received by the Bluelight pensions team on who is eligible to join the schemes.

This issue was previously considered by the Scheme Advisory Board (SAB) at their meeting on May 2016 [[Item 10\(2\)](#)], who considered whether guidance similar to [FPSC 2/2007](#) needed to be issued to confirm who could be in the FPS. The board agreed that no guidance was needed as the regulations were clear that the person needed to have been employed as a 'firefighter' and that the regulations provided an interpretation of 'firefighter'.

This factsheet only provides a note of eligibility to the Firefighters' Pension Schemes, it does not consider which scheme a person may be entitled to join, i.e. whether they have full protection or tapered protection.

**ACTION NEEDED: Local Pension Boards (LPBs) should ensure that scheme managers are complying with the scheme rules and request assurances that the rules on eligibility are applied correctly.**

Two further factsheets are to be published shortly: additional contracts and entitlement to two pensions ("split pension").

## New way of submitting queries to the Bluelight team – reminder

As we reported in [FPS Bulletin 9 – June 2018](#), the team have introduced a new way for queries to be submitted to allow greater visibility and control over the process, building up a knowledge base and improving service to administrators, while also providing evidence for a business case if further support and advice is needed from the Home Office or other external bodies, such as HMRC.

The query form and notes for completion are available [here](#) to download and the form should be submitted to [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk) once completed with all relevant information. Your query will be acknowledged upon receipt and we will aim to reply to your query within 28 days. If we cannot reply with a full response within 28 days, we will let you know and tell you when you can expect to receive a full reply from us.

We would like to take this opportunity to remind you that any queries received after 1 August 2018 that are not submitted using the form will be returned. If you have any feedback regarding the new process, please [email us](#).

## Deferred Benefit Statements (DBS)

Following the successful distribution of the standardised ABS template and notes, the Fire Communications Working Group (FCWG) have added production of a standard DBS template to their work plan for the year. This is supported by the SAB Local Pension Board effectiveness committee.

We would remind all administrators and FRAs that the provision of a DBS is a legislative requirement under FPS 2006 [[Schedule 1, Part 15, Paragraph 4](#)] and FPS 2015 [[Regulation 183](#)]. It is also considered good practice to provide deferred members of FPS 1992 with an equivalent statement.

**ACTION NEEDED: LPBs may wish to satisfy themselves that these requirements are being met.**

As The Pensions Regulator (TPR) is requesting scores for fully present and accurate common and scheme-specific data items for the first time this year, it may be timely to consider using a tracing service for those deferred members whose address is not held. Address details fall within the list of 11 common data items as specified in TPR's [quick guide to measuring data](#).

## Website resource update

### Consolidated regulations

While a full set of consolidated timeline regulations is not currently available for FPS, the Bluelight team have created some informal consolidated sections on specific topics, such as pensionable pay, Additional Pension Benefits (APBs), and two pensions ("split pension"). As amendments are made to the FPS 2015 regulations, we will endeavour to incorporate these into a consolidated version.

The available consolidated regulations can be accessed [here](#) from the FPS Regulations and Guidance website.

Retrospective consolidation of FPS 1992 and FPS 2006 amendments will be considered as a future long-term project.

### Guides and sample documents

A brand new page has been added to the administration resources section of the FPS Regulations and Guidance website – [Guides and sample documents](#).

This page contains guides and sample documents issued by the LGA Bluelight team in collaboration with the FCWG on a variety of subjects. Scheme managers and LPBs in particular may wish to note the following new resources:

- [Guide to Disclosure of Information requirements](#)
- While we have published a [full list of discretions](#) available to scheme managers across all schemes, these have also been broken down by scheme and a table of delegations added each document to enable FRAs to determine at what level of seniority each decision can be made.
  - [FPS 1992](#)
  - [FPS 2006](#)
  - [FPS 2015](#)
  - [FCS](#)

Resources for members include the [short guide to FPS 2015](#), the first in a series of new guides for members.

## Other News and Updates

### The Pensions Ombudsman Service (TPOS) newsletter 4

TPOS have published the fourth edition of their stakeholder newsletter which is attached to this bulletin as [Appendix 1](#).

Earlier communications from TPOS and a full history of determinations in relation to FPS can be found [here](#).

### Beware cold-calls from fraudsters claiming to be from TPR

On the 17 July 2018, TPR published a [press release](#) concerning fraudsters who may be trying to steal the savings of workers by falsely claiming to be calling from TPR.

The scam concerns pension holders being cold-called by individuals who have posed as TPR staff offering the workers a 'free pension review'. TPR have confirmed that this is a common warning sign of a scam as TPR never cold-calls individuals about their pensions. TPR has reported the cases to the Information Commissioners Office (ICO) for investigation and will also report any future cases.

TPR has advised pension holders that if they are cold-called about their pension, or believe they could be the victim of pension fraud, to contact Action Fraud on 0300 1232040.

We recommend FRAs bring the contents of this press release to the attention of their members.

## HMRC

### Annual allowance calculator – back online

We reported in [FPS Bulletin 7 – April 2018](#) that HMRC's pension annual allowance calculator was temporarily unavailable.

We are pleased to let you know that the calculator is now back online at the following link <https://www.tax.service.gov.uk/pension-annual-allowance-calculator>.

### HMRC newsletters/bulletins

HMRC have published pension schemes newsletter 100 containing important updates and guidance on pension schemes. The following issues are covered:

[Pension schemes newsletter 100 – 29 June 2018](#): Manage and Register Pension Schemes service | registering as a scheme administrator and applying to register a pension scheme | transfers between registered pension schemes | annual allowance calculator | relief at source | recognised overseas pension schemes (ROPS) notifications list | taxation of flexi access payments | reporting multiple small pots payments.

## Contracting-out reconciliation update

The following bulletin containing important guidance and information about the end of contracting-out and the scheme reconciliation process, was published by HMRC in June.

### [Countdown bulletin 35](#)

Updates include:

- scheme cessation guidance for Pension Scheme Administrators
- new automated solution for 2R local authority schemes liability part period
- new automated solution for change of responsible paying authority
- Guaranteed Minimum Pension checker

## Training

### AGM – save the date

Eagle-eyed readers will no doubt have noticed that the FPS annual general meeting has been advertised for some months in the calendar of events section of the bulletin.

We are now pleased to officially request that you ‘save the date’ for the two day event, which will take place over 17 and 18 September 2018 at 18 Smith Square, Westminster.

A programme of events will be included in the August edition, as all sessions/ speakers have not yet been confirmed. However, an outline of the agenda with timings can be seen below.

We will notify readers by email when booking is live via the LGA Events site.

#### Day 1

<b>Monday 17 September 2018</b>	
13.00 – 13.30	Registration and refreshments
13:30 – 16:00	Technical meeting

<b>Monday 17 September 2018</b>	
16:30 – 17:00	Registration and refreshments
17:00 – 18:30	Governance update

<b>Monday 17 September 2018</b>	
18:45 onwards	Drinks reception and networking

#### Day 2

<b>Tuesday 18 September 2018</b>	
9:30 – 10:15	Registration and refreshments, exhibition viewing
10:15 – 11:30	Welcome Sessions 1 & 2
11:30 – 11:45	Refreshments
11:45 – 13:15	Technical workshops Session 3
13:15 – 14:00	Lunch and networking, exhibition viewing
14:00 – 15:30	Workshop feedback Sessions 5 & 6 Close

## Legislation

SSI	Reference Title
<a href="#">2018/215</a>	The Firefighters' Pension Scheme (Scotland) Amendment Order 2018
<a href="#">2018/216</a>	The Firemen's Pension Scheme (Amendment) (Scotland) Order 2018

## Useful links

- [The Firefighters' Pensions \(England\) Scheme Advisory Board](#)
- [FPS Regulations and Guidance](#)
- [Khub Firefighters Pensions Discussion Forum](#)
- [FPS1992 guidance and commentary](#)
- [The Pensions Regulator Public Service Schemes](#)
- [The Pensions Ombudsman](#)
- [HMRC Pensions Tax Manual](#)

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## FPS Bulletin 11 – August 2018

Welcome to the eleventh issue of the Firefighters' Pensions Schemes bulletin.

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## Contents

### [Calendar of events](#)

#### [FPS](#)

- [FPS 2006 special member tax relief claims](#)
- [Update on the Public Sector Schemes 2016 valuation](#)
- [New way of submitting queries to the Bluelight team - update](#)
- [TPR data requirements - 2017/18 scheme return](#)
- [ABS survey](#)

### [Website resource update](#)

- [Consolidated regulations](#)
- [Template agenda & annual report](#)

### [Other News and Updates](#)

- [TPO determination PO-12763 - the Police pension scheme](#)
- [TPS Pension Board - recruitment of independent pension specialist](#)

### [HMRC](#)

- [HMRC newsletters/bulletins](#)
- [Contracting-out reconciliation update](#)
- [Annual Allowance Statements - 2017/18](#)

### [Training](#)

- [Fire pensions annual conference 17-18 September 2018](#)

### [Legislation](#)



## [Useful links](#)

## [Contact details](#)

## Calendar of events

Please see below a calendar of upcoming events relevant to the Firefighters' Pension Schemes. Only those events which are hyperlinked are currently available to book. If you have any events you would like to be included in a future bulletin, please contact [Claire Hey](#).

Firefighter Pensions Technical Community	17 September 2018
Firefighters' Pensions AGM	<a href="#">Day 1 17 September 2018</a> <a href="#">Day 2 18 September 2018</a>
Fire Communications Working Group	24 September 2018
LPB effectiveness committee	25 September 2018
North East regional FPOG	27 September 2018
SAB	4 October 2018
Civica Fire & Police Technical meeting	11 October 2018
Midlands regional FPOG	26 October 2018
SAB	5 December 2018

## FPS

### [FPS 2006 special member tax relief claims](#)

We are aware that Authorities have now received the request from HMRC regarding tax relief for special members of FPS 2006, as detailed in [FPS Bulletin 10 – July 2018](#). In order to assist FRAs with their response, we have prepared an [FAQs factsheet](#).

The factsheet is available in the Administration Resources section of [www.fpsregs.org](http://www.fpsregs.org) and can also be accessed from the Special Members page within the member-restricted area. This area contains the regulations and other useful resources relating to this category of scheme member. If you require a log-in for the site, please contact [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk).

We advise FRAs to urgently supply the information requested. Pension boards in their role of ensuring compliance should note the request and seek confirmation this information has been supplied.

Further updates will be provided when HMRC have completed their investigations. Fire and Rescue Authorities will be kept informed of developments through these bulletins.

## Update on the Public Sector Schemes 2016 valuation

HM Treasury has confirmed that the Draft Directions for valuation will not be released during summer recess as the release requires a Written Ministerial Statement. This means that the Home Office will not be in a position to comment on the Firefighters Pensions scheme valuation until September.

## New way of submitting queries to the Bluelight team – update

The new process for submitting queries to the team as reported in [FPS Bulletin 9 – June 2018](#) is now gathering speed. Thank you to those that have already contacted us using the query form; we hope that you have found the process both efficient and effective.

A [log of queries and responses](#) is available on the FPS Regulations and Guidance website. The queries have been anonymised and divided into topics. The log will be updated on a monthly basis in line with the bulletin release dates.

The query form and notes for completion are available [here](#) to download and the form should be submitted to [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk) once completed with all relevant information. Your query will be acknowledged upon receipt and we will aim to reply to your query within 28 days. If we cannot reply with a full response within 28 days, we will let you know and tell you when you can expect to receive a full reply from us. Any technical queries we receive that are not submitted using the form will be returned.

If you have any feedback regarding the new process, please [email us](#).

## TPR data requirements – 2017/18 scheme return

For the first time in 2018, TPR are requesting that schemes measure the data they hold about their members and report this on the annual scheme return. Scores for both common and scheme-specific data must be measured and reported. This item was first covered in [FPS bulletin 7 – April 2018](#).

TPR have recently published a [checklist](#) for completing the scheme return, which is expected to be issued in September with a six-week turnaround for completion.

While TPR have produced several guides on measuring data, there is no dedicated resource for the Firefighters' Pension Schemes. To address this and provide some assistance to FRAs and administrators, we have produced an informal guide on TPR data requirements for 2018. The guide is available at [Appendix 1](#).

## ABS survey

As the current ABS cycle draws to a close, a survey of the 2018 process has been developed in collaboration with the SAB [Local Pension Board effectiveness committee](#). The survey link will be issued at the end of September and run for a period of one month. We would welcome as many responses as possible, please look out for more information in issue 12.

## Website resource update

### Consolidated regulations

Further regulations have been added to the consolidated section of the FPS Regulations and Guidance website. Topics include: effect of remarriage/ new relationship, pension contributions, and ill-health awards for transitional members.

The available consolidated regulations can be accessed [here](#).

Following the amendment order expected to be laid in September 2018, consolidated versions of the individual amended regulations will be published with an accompanying technical note to cover all of the relevant changes.

### Template agenda and annual report

New resources for Local Pension Boards include a template [agenda](#) and [annual report](#). Our thanks go to Nottinghamshire Fire Authority for sharing their local firefighter pension board annual report.

These, along with other useful resources for boards, are available from [www.fpsboard.org](http://www.fpsboard.org).

## Other News and Updates

### TPO determination PO-12763 – the Police pension scheme

The Pensions Ombudsman (TPO) has recently found in favour of a member who transferred their defined benefit out of the Police Pension Scheme – case [PO-12763](#).

The ombudsman summarised that the complaint was upheld against the Authority because “failed:

- to conduct adequate checks and enquiries in relation to Mr N’s new pension scheme; to send Mr N the Pensions Regulator’s transfer fraud warning leaflet; and
- to engage directly with Mr N regarding the concerns it should have had with his transfer request, had it properly assessed it.”

The authority was ordered to reinstate the member’s benefits in the PPS (or provide equivalent benefits) and to pay £1,000 damages for distress.

From 6 April 2015, unfunded pension schemes were restricted from allowing transfers to occupational or personal pension schemes that offer flexible benefits under [Chapter 4, section 68](#) of the Pension Schemes Act 2015.

And while we are confident that Authorities are aware of the seriousness of pension liberation and the duties of due diligence the scheme has to prevent this, we thought it nevertheless timely to remind authorities of the 2015 restrictions and the consequences of not performing due diligence. Guidance from TPR on pension liberation is available via the link below.

<http://www.thepensionsregulator.gov.uk/regulate-and-enforce/pension-liberation.aspx>

## [TPS Pension Board - recruitment of independent pension specialist](#)

The Department for Education is looking for an independent pension specialist to sit on the Teachers' Pension Scheme pension board. The closing date is 10 September 2018. For more information and details on how to apply see the [Pensions Careers](#) website.

Please share the link to the website to anyone who might be interested in applying for the post.

## HMRC

### [HMRC newsletters/bulletins](#)

HMRC have published pension schemes newsletters 101 and 102 containing important updates and guidance on pension schemes. The following issues are covered:

[Pension schemes newsletter 101 – 31 July 2018](#): Master Trusts | Registering a pension scheme - time limits | Taxation of flexi access payments | Annual allowance | Relief at source | Pension flexibility | Qualifying recognised overseas pension schemes (QROPS) transfer statistics | Manage and Register Pension Schemes service - completing enrolment information.

[Pension schemes newsletter 102 – 31 August 2018](#): Manage and Register Pension Schemes service | Relief at source | Master Trusts | Reporting of non-taxable death benefits | Applications to register a pension scheme.

### [Contracting-out reconciliation update](#)

The following bulletin containing important guidance and information about the end of contracting-out and the scheme reconciliation process, was published by HMRC in August.

### [Countdown bulletin 36](#)

Updates include:

- phase 7 automation
- Scheme Reconciliation Service data re-runs and queries
- Not in scheme Contributions Equivalent Premium
- the new automated solution for change of responsible paying authority

### [Annual Allowance Statements - 2017/18](#)

As last year, HMRC have confirmed they are prepared to accept from PCM customers, scheme data regarding pension savings statements for 2017-18 on an excel spreadsheet rather than through the scheme's Event Report. All other scheme events for 2017-18, with the exception of the lifetime allowance protection regimes referred to below, must be submitted via Pensions Online.

This concession is on the clear understanding that the pension savings statement data represents part of the scheme's formal reporting obligations for the 2017-18 Event Report. The data must be submitted by 31 January 2019 or penalties will be due for late filing. HMRC also reserves the right to open enquiries based on any of the pension savings statement information provided.

The data required for each member is as follows:

- Name of Member (Title, First Name, Surname)
- National Insurance Number of Member
- Aggregate Pension Input Amounts for the scheme (x)
- Tax Year Ending (that the information relates to)
- Have you provided this member with a pension savings statement under regulation 14A(1)(b)(ii) SI 2006/567? (Y/N) (Money Purchase Pension Savings Statement)
- If Yes, provide the Aggregate Pension Input Amounts for Money Purchase Arrangements (y)

All fields must be completed. For members who have both (x) & (y) above, the data should be listed on the same line in the spreadsheet.

Guidance is available at

<https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm161600> and

<https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm167000>.

For the data to be compatible with HMRC's IT systems it must be submitted in the following format:

- Excel 2003
- Encryption via Winzip (up to and including version 17.5)
- 256 bit AES
- File to be password protected
- Passwords to be provided by separate cover

All files should be sent via e-mail to [pensions.businessdelivery@hmrc.gsi.gov.uk](mailto:pensions.businessdelivery@hmrc.gsi.gov.uk) and your PCM copied in. Files will need to be below 5MG, however HMRC will accept multiple submissions if the original file size exceeds this. HMRC will notify the scheme of receipt to enable the passwords to be provided under separate cover.

If the scheme chooses to use this facility to provide this information, it is entirely at the scheme's own risk. HMRC accept no responsibility of loss, interception or corruption until data is delivered safely to them.

If you wish to use the spreadsheet method, can you please let your CLM know and confirm that you also understand that late filing penalties may be due if the information is not provided by 31 January 2019. If HMRC do not hear anything from you then they will assume that you will submit this information via the Event Report.

We would like to remind FRAs that where members have breached the £40k limit across two schemes or are subject to a tapered Annual Allowance, the [Voluntary Scheme Pays guidance](#) applies.

## Lifetime allowance protection regimes

As you may be aware from article 6.2 of the [Pension schemes newsletter 85 - March 2017 - GOV.UK](#) the Event Report hasn't been amended to include lifetime allowance protections that members applied for online.

As per the Event Report requirements, if you need to submit these details to HMRC, you can submit these on a password protected spreadsheet and send the password in a separate email.

Please send both the spreadsheet and password (separately) to [pensions.businessdelivery@hmrc.gsi.gov.uk](mailto:pensions.businessdelivery@hmrc.gsi.gov.uk). You should put 'Lifetime allowance – Event Reporting' in the subject line of your email.

## Training

### Fire pensions annual conference 17-18 September 2018

We are pleased to announce that booking for the Fire Pensions Annual Conference is now available. The draft programme is can be viewed [here](#).

The event which was publicised by email on 7 August is proving to be ever popular, with 50 delegates registered for Day 1 and 80 for Day 2. Remaining places are limited, so please use the links below to secure your place if you haven't done so already.

#### [Day 1 – Monday 17 September 2018](#)

Primarily for Scheme Managers and Local Pension Board members, day 1 of the conference will provide practical guidance on how to be an effective board and meet TPR requirements for good governance and will offer Pension Board chairs the opportunity to network with their counterparts in other Fire Authorities.

**NOTE: invitations to the technical meeting will be issued separately, booking is not available for this session.**

#### [Day 2 – Tuesday 18 September 2018](#)

Day 2 of the conference provides delegates with an annual update on the Firefighters' Pension Scheme from key stakeholders.

We look forward to welcoming you to 18 Smith Square. For the first time, we will be tweeting live from the event using the hashtag #LGAfirepensions; follow us on Twitter [@LGAworkforce!](#)

## Legislation

There have been no new items of relevant legislation issued since FPS bulletin 10.

## Useful links

- [The Firefighters' Pensions \(England\) Scheme Advisory Board](#)
- [FPS Regulations and Guidance](#)
- [Khub Firefighters Pensions Discussion Forum](#)
- [FPS1992 guidance and commentary](#)
- [The Pensions Regulator Public Service Schemes](#)
- [The Pensions Ombudsman](#)
- [HMRC Pensions Tax Manual](#)

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### Contents

#### [Calendar of events](#)

#### [FPS](#)

- [FPS 2016 valuation](#)
- [2018 amendment order – SI 2018/997](#)
- [FPS benchmarking exercise](#)
- [ABS survey - action required](#)
- [September query log](#)

#### [Other News and Updates](#)

- [TPR - scheme return 2018-19](#)
- [TPR - new approach to workplace pensions regulation](#)
- [TPO - clearer signposting for dispute resolution](#)

#### [HMRC](#)

- [HMRC newsletters/bulletins](#)
- [Contracting-out reconciliation update](#)

#### [Training](#)

- [Fire pensions annual conference 17-18 September 2018](#)
- [Pensions tax support - action required](#)

#### [Legislation](#)

#### [Useful links](#)

#### [Contact details](#)



## Calendar of events

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Cost-effectiveness committee	3 October 2018
SAB	4 October 2018
Civica Fire & Police Technical meeting	11 October 2018
Midlands regional FPOG	26 October 2018
South East regional FPOG	2 November 2018
<a href="#">LGA Leadership Essentials Fire &amp; Rescue</a> (Elected members)	28-29 November 2018
Eastern regional FPOG	29 November 2018
SAB	5 December 2018
<a href="#">LGA Leadership Essentials Fire &amp; Rescue</a> (Elected members)	26-27 February 2019

## FPS

### FPS 2016 valuation

On 6 September 2018, Her Majesty's Treasury (HMT) published their draft Directions for the 2016 valuation for comment.

For the Firefighters' Pension Schemes in England this means:-

- **The firefighters'scheme in England is likely to breach the cost cap floor** (i.e. costs are likely to be more than 2% lower than the 16.8% of pensionable earnings cost cap set out in the 2015 firefighter scheme regulations). Under paragraph 3 of [rule 150A](#) of the scheme rules the Home Office must consult with the [Scheme Advisory Board](#) (SAB) on the action to be taken to bring the cost back within the target cost. If no agreement can be reached, the default mechanism is to amend the rate at which benefits accrue.

The SAB is well placed to engage in this consultation. The Board's [cost effectiveness committee](#) constructed from stakeholders across the sector and supported by the Board's independent actuarial advisor will be meeting with Home Office and GAD on 3 October 2018 to discuss the initial outcomes.

For clarity the cost cap mechanism is a measure of costs for the reformed schemes only, i.e. the 2015 scheme. Therefore the steps taken to improve benefits will be for members in employment in the 2015 scheme between April 2019 and March 2023. It will not affect deferred or pensioner members, or protected members of the 1992 or 2006 schemes.

- **There will be a significant increase in employer contribution rates from their current levels.** This is mainly due to the proposed further reduction in the SCAPE discount rate, from 2.8% to 2.4%. This further reduction, if confirmed, is expected to apply from 1 April 2019.

As present we do not know what the ‘significant’ increase is set to be; we expect to be clearer on this in the coming weeks.

This [technical bulletin](#) produced by GAD contains the links to all the relevant documents.

- [The written ministerial statement \(WMS\)](#)
- [Draft Directions](#)
- [Technical Annex to Directions](#)
- [The letter to TUC](#)

Board consultations and responses will be published [here](#) once they are available, and monthly updates will be provided in the bulletins.

### [2018 amendment order – SI 2018/997](#)

The Police and Firefighters’ Pension (Amendment) Regulation 2018 [SI 2018/997](#) was laid on 13 September 2018. The government response to the consultation can be found [here](#).

A [technical note](#) has been published to confirm the details of the amendment order as it relates to the Firefighters Pension Schemes. FRAs and local pension boards should take the following action:

1. Ensure they are aware of the indexation to two pensions and that this is properly applied.
2. Ensure a policy is in place for exercising VSP and that firefighters are aware of how they would request the Fire Authority to pay any tax charge arising under the VSP policy.
3. Ensure that members in the 2006 scheme are communicated to, to let them know the scheme has been changed to remove the requirement to nominate. Consider whether as an authority / administrator nominations will still be encouraged as good practice, albeit not required under legislation.

Consolidated versions of all regulations amended by this order can be found [here](#).

### [FPS benchmarking exercise](#)

One of the SAB’s key objectives is to ensure the cost-effectiveness and efficiency of the FPS, and to provide advice to scheme managers and local pension boards in relation to effective and efficient administration and management. As there is currently no basis for the comparison of service and cost within the administration of the schemes, in order to establish a benchmark, the Board undertook a [procurement exercise](#) for an organisation to undertake a benchmarking review.

The annual conference was an ideal opportunity for the project to be launched and we were pleased to announce then that Aon were the successful bidder.

Representatives from Aon first attended the meeting of the technical community on day 1 of the conference to engage with FRA and administrator stakeholders on the scope and range of the survey questions, which will be used to gather quantitative data from employers, administrators and members. Thanks to all those who participated in this meeting; the notes are available to view at [Appendix 1](#).

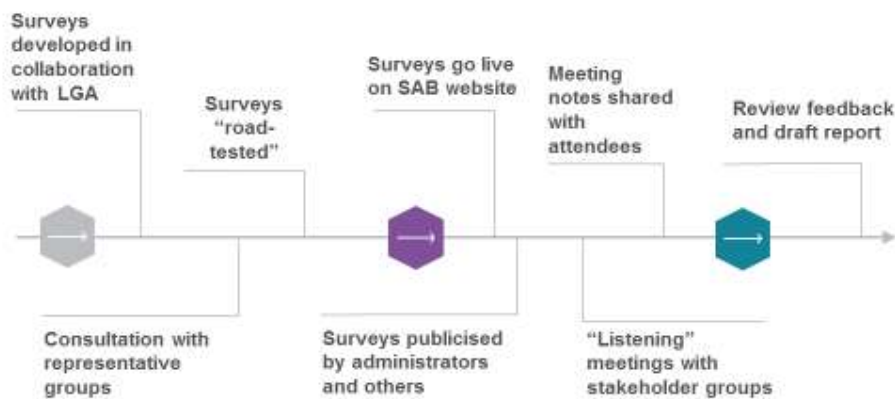


Alison Murray and Craig Payne of Aon, launching the benchmarking review at day 2 of the FPS AGM.

Day 2 saw the official launch of the exercise where Aon expressed their delight in being involved in the project as well as outlining the approach they will be taking to carry out the review. The audience of around 100 delegates had the opportunity to ask questions of the Aon team.

The LGA will now work closely with Aon, and the SAB's [administration and benchmarking committee](#), to finalise the survey questions before these are issued. A timeline for the project can be seen below. Updates on the progress of the project will be provided in the bulletins and we intend to set up a dedicated page on the FPS regulations and guidance website to hold notes of all meetings and any other related documentation. Please watch this space and take the opportunity to complete the surveys once they are ready for completion. This is a golden opportunity for your views to be heard.

## The process



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71



### ABS survey – action required

As detailed in [FPS Bulletin 11 – August 2018](#), a survey of the 2018 ABS process has been developed in collaboration with the SAB Local Pension Board effectiveness committee. A summary of last year's survey findings are available [here](#).

In an improvement to the 2017 survey, the committee approved funding for a short web-based questionnaire, which will allow more in-depth analysis of the process and support provided. We are now pleased to launch the [2018 survey](#) and would be grateful for your responses by **31 October 2018**.

The survey should be completed by FRAs, administrators, those involved with Local Pension Boards, and any other stakeholders with an interest in the ABS process. We welcome multiple replies from FRAs to enable us to build up a comprehensive picture of the current landscape.

### September query log

The current [log of queries and responses](#) is available on the FPS Regulations and Guidance website. The queries have been anonymised and divided into topics. The log will be updated on a monthly basis in line with the bulletin release dates.

Queries from earlier months have been grey-shaded to differentiate from new items added in September.

## Other News and Updates

### TPR – scheme return 2018-19

We are aware that the Pension Regulator (TPR) scheme return for 2018-19 has now been issued to scheme managers. [Information about completing and submitting a scheme return](#) can be found on the TPR website.

[Informal guidance on data scoring](#) for both common and scheme-specific data was provided with bulletin 11 in August.

### TPR – new approach to workplace pensions regulation

On 17 September 2018 TPR launched a [new approach to workplace pensions regulation](#). The flexible new model accommodates DB, DC and PS schemes, as well as incorporating AE and master trusts. This new operating model directly affects the way TPR works and will be established over the next 12 – 18 months.

To date, TPR's approach has been to 'educate, enable, and enforce', which has worked well, though no longer accurately reflects how the TPR operates in an ever evolving political, economic and pensions landscape.

Through their [TPR Future Programme](#), they have completed a review of their entire approach to regulation and this year have started to implement a new regulatory model to drive up standards and tackle risk by engaging proactively with a larger proportion of the schemes and employers that they regulate.

Four key areas form the bedrock of TPR's new operating model, which will help them take forward the work they want to achieve and do it in the most effective way, these are:

1. **Setting clear expectations:** TPR will work with those they regulate to ensure that the standards they expect are clear and adopted. They will ensure that pension schemes and employers comply with clear, measurable standards.
2. **Identifying risk early:** TPR will prevent risks to members from increasing over time through prioritisation, monitoring, supervision and early proactive intervention.
3. **Driving compliance through supervision and enforcement:** TPR will use a wider range of regulatory interventions through a process of systematic and escalating interaction with those they regulate. They will test, measure and adapt the way we work to continue to drive behavioural change.
4. **Working with others:** TPR will work with their regulatory partners, stakeholders, advisers and intermediaries to deliver a comprehensive and consistent regulatory framework.

TPR's ['Making workplace pensions work'](#) publication guides users through their new way of operating and outlines the further changes that users can expect to see in the future. Key to the new approach is the introduction of a supervision regime to monitor schemes more closely, which will include higher and lower intensity interventions depending on the risks identified.

## [TPO – clearer signposting for dispute resolution](#)

Please find attached a [joint statement](#) from the Department for Work and Pensions and The Pensions Regulator, outlining important developments that clarify the [signposting provisions](#) for referring to The Pensions Ombudsman (TPO) and The Pensions Advisory Service (TPAS).

You can find the corresponding [news story](#) on the TPO website, with links to helpful guidance on how to refer to TPO and TPAS.

## HMRC

### [HMRC newsletters/bulletins](#)

HMRC have published pension schemes newsletter 103 containing important updates and guidance on pension schemes. The following issues are covered:-

[Pension schemes newsletter 103 – 25 September 2018](#): Updating your scheme administrator details | Operating PAYE on pension payments | Master Trusts | Reporting of non-taxable death benefits | Relief at source | Annual allowance - pension savings statements for tax year 2017 to 2018 | Trust Registration Service |

### [Contracting-out reconciliation update](#)

We have received the following statistics from HMRC which may be of interest to readers. Over 4500 schemes are going through the Scheme Reconciliation process:-

- Total number of schemes 4761
- Total Membership of those schemes 19.2m
  
- 3017 schemes now submitted queries with membership of those schemes totalling 18m
  
- Last month HMRC received 250,000 queries (both automated and clerical)
- Total queries now received by HMRC is 8.9m
  
- 1829 schemes are at reconciled status on HMRC databases
- 2932 schemes are still actively reconciling

As the October deadline for clerical submissions approaches, HMRC are seeing an influx of submissions by schemes who are both finalising their membership queries and/or who have been inactive for quite a while, so the numbers are increasing. However, the automated solutions are now dealing with an increasing number of queries and are running beyond the October date.

## Training

### Fire pensions annual conference 17-18 September 2018

We were delighted to welcome over 150 delegates from the fire pensions community to 18 Smith Square for our annual conference held on 17 and 18 September 2018. Attendees heard from a wide variety of industry professionals and government representatives across the two days. A detailed summary of the event including the full presentations from both days can be found [here](#).



A packed house for day 2 of the FPS AGM in Bevin Hall, 18 Smith Square.

To view the conference in pictures, visit our [@LGAWorkforce](#) twitter feed, #LGAfirepensions

### Pensions tax support – action required

Last year the Scheme Advisory Board, in collaboration with the NPCC, provided a series of seminars delivered by Barnett Waddingham on pensions tax issues – the Annual Allowance, Lifetime Allowance and related matters. These were well attended with around 100 representatives from both Local Pension Boards and Fire HR, pension and finance delegates.

Authorities may feel it would now be helpful to arrange further briefing sessions for Board members and FRA representatives. This could include dedicated training for administrators on the practicalities of calculating tax liabilities and related processes.

We would be very grateful if you could let us know by 5 October any preference or requirements for pensions tax support this year, using the short pro-forma at [Appendix 2](#). Completed responses should be saved and returned to [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk).

## Legislation

SI	Reference Title
<a href="#">2018/987</a>	<a href="#">The Financial Guidance and Claims Act 2018</a> (Commencement No. 1 and Transitional Provision) Regulations 2018
<a href="#">2018/997</a>	The Police and Firefighters' Pensions (Amendment) Regulations 2018
<a href="#">2018/1003</a>	<a href="#">The Financial Guidance and Claims Act 2018</a> (Commencement No. 2) Regulations 2018

## Useful links

- [The Firefighters' Pensions \(England\) Scheme Advisory Board](#)
- [FPS Regulations and Guidance](#)
- [Khuh Firefighters Pensions Discussion Forum](#)
- [FPS1992 guidance and commentary](#)
- [The Pensions Regulator Public Service Schemes](#)
- [The Pensions Ombudsman](#)
- [HMRC Pensions Tax Manual](#)

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## Eligibility to the pension scheme

### Introduction

At their meeting in May 2016 [Item 10\(2\)](#) the Scheme Advisory Board (SAB) considered whether guidance similar to [FPSC 2/2007](#) needed to be issued to confirm who could be in the Firefighters' Pension Schemes. The Board agreed that no guidance was needed as the regulations were clear that the person needed to have been employed as a 'firefighter' and that the regulations provided an interpretation of 'firefighter'.

The scheme rules set out who is eligible to join the Firefighters' Pension Schemes. This factsheet only provides a note of eligibility to the Firefighters' Pension Schemes, it does not consider which scheme a person may be entitled to join, i.e. whether they have full protection or tapered protection.

### 'Firefighter' definition

Each set of scheme rules explains the definition of a regular, retained, and volunteer firefighter. While the wording may be slightly different the definition is the same, and requires the person to be appointed under terms that they may be required to engage in firefighting:

on terms under which he is, or may be, required to engage in fire-fighting or, without a break in continuity of such employment, may be required to perform other duties appropriate to his role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting) and whose employment is not temporary

## FPS 1992

The 1992 scheme regulations can be found [here](#).

Rule A3, paragraph 1 confirms the 1992 scheme applies to a 'regular firefighter'. A regular firefighter is defined in the glossary of expression and determines that they should be appointed under terms which they are required or may be required to engage in firefighting and may without a break be required to perform other duties appropriate to the role as a firefighter.

### **Exclusive application to regular firefighters [Rule A3 (1)]**

(1) Subject to paragraphs (3) to (6), this Scheme applies in relation to regular firefighters and their spouses or civil partners and dependants to the exclusion of pension provision under any enactment other than section 26 of the principal Act and the 1993 Act.

### **Glossary of expressions [Schedule 1, Part 1]**

**"regular firefighter"** - in relation to any time on or after 1st October 2004, the expression means a person who is employed—

(a) by a fire and rescue authority as a firefighter (whether whole-time or part-time), other than as a retained or volunteer firefighter, and

(b) on terms under which he is, or may be, required to engage in fire-fighting or, without a break in continuity of such employment, may be required to perform other duties appropriate to his role as a firefighter (whether instead of, or in addition to, engaging in firefighting) and whose employment is not temporary.

## FPS 2006

The 2006 scheme regulations can be found [here](#).

Part 2, [rule 1](#) and [1A](#) define the rules for scheme membership. A regular, retained, and volunteer firefighter, as defined under the [interpretations](#), should be appointed under terms which they are required or may be required to engage in firefighting and may without a break be required to perform other duties appropriate to the role as a firefighter.

### **Interpretation [Part 2, rule 2(1)]**

**“regular firefighter”** means a person employed (whether whole-time or part-time) by an authority—

- (a) as a firefighter, but not as a retained or volunteer firefighter,
- (b) on terms under which he is, or may be, required to engage in fire-fighting or, without a break in continuity of such employment, may be required to perform other duties appropriate to his role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting); and
- (c) otherwise than in a temporary capacity;

**“retained firefighter”** means a person employed by an authority —

- (a) as a retained firefighter, but not as a regular firefighter or as a volunteer firefighter;
- (b) on terms under which he is, or may be, required to engage in firefighting or, without a break in continuity of such employment, may be required to perform other duties appropriate to his role as a firefighter (whether instead of, or in addition to, engaging in firefighting);
- (c) otherwise than in a temporary capacity; and
- (d) who is obliged to attend at such times as the officer in charge considers necessary, and in accordance with the orders that he receives;

**“volunteer firefighter”** means a person employed by an authority —

- (a) as a volunteer firefighter but not as a regular firefighter or as a retained firefighter;
- (b) on terms under which he is, or may be required to, engage in firefighting (whether instead of, or in addition to, engaging in firefighting);
- (c) otherwise than in a temporary capacity; and
- (d) who is obliged to attend at such times as the officer in charge considers necessary, and in accordance with the orders that he receives.

## FPS 2015

The 2015 scheme regulations can be found [here](#).

To be eligible for the 2015 scheme, [regulation 7](#) confirms a person must be in 'scheme employment'. [Regulation 6](#) confirms that among other conditions, to be in scheme employment a person must be employed by a fire & rescue authority as a 'firefighter'. This means they have to be operational (i.e. resolving incidents or leading and supporting others in resolving incidents).

The [interpretations](#) of a regular, retained, and volunteer firefighter confirm that the terms of engagement must be that the person is or may be required to engage in fire-fighting or may be required to perform other duties appropriate to their role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting).

### **Interpretation [Regulation 3]**

**"regular firefighter"** means a person (P) employed (whether whole-time or part-time) by an authority—

- (a) as a firefighter, but not as a retained or volunteer firefighter,
- (b) on terms under which P is, or may be, required to engage in fire-fighting or, without a break in continuity of such employment, may be required to perform other duties appropriate to P's role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting), and
- (c) otherwise than in a temporary capacity;

**"retained firefighter"** means a person (P) employed by an authority—

- (a) as a firefighter, but not as a regular firefighter or a volunteer firefighter,
- (b) on terms under which P is, or may be, required to engage in fire-fighting or, without a break in continuity of such employment, may be required to perform other duties appropriate to P's role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting),
- (c) otherwise than in a temporary capacity, and
- (d) who is obliged to attend at such times as the officer in charge considers necessary, and in accordance with the orders that P receives;

**"volunteer firefighter"** means a person (P) who carries out operational firefighting for an authority—

- (a) as a firefighter, but not as a regular firefighter or a retained firefighter,
- (b) on terms under which P is, or may be, required to engage in fire-fighting or may be required to perform other duties appropriate to P's role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting),
- (c) otherwise than in a temporary capacity, and
- (d) who is obliged to attend at such times as the officer in charge considers necessary, and in accordance with the orders that P receives

## Compensation Scheme

The compensation scheme regulations can be found [here](#)

Part 1, rule 3 of the compensation scheme confirms the scheme applies to regular and retained ‘firefighters’. The definitions of a regular, retained, and volunteer firefighter can be found in the interpretations at part 1, rule 2 and confirm that the terms of engagement must be that the person is or may be required to engage in fire-fighting or may be required to perform other duties appropriate to their role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting).

### Interpretation [Part 1, rule 2(1)]

“**regular firefighter**” means a person who is employed—

(a) by a fire and rescue authority as a firefighter (whether whole-time or part-time), other than as a retained or volunteer firefighter, and

(b) on terms under which he is, or may be, required to engage in fire-fighting or, without a break in continuity of such employment, may be required to perform other duties appropriate to his role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting) and whose employment is not temporary;

“**retained firefighter**” means a person who is employed by an authority—

(a) as a retained firefighter, but not as a regular firefighter or a volunteer firefighter,

(b) on terms under which he is, or may be, required to engage in fire-fighting or, without a break in continuity of such employment, may be required to perform other duties appropriate to his role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting),

(c) otherwise than in a temporary capacity, and

(d) who is obliged to attend at such times as the officer in charge considers necessary, and in accordance with the orders that he receives

“**volunteer firefighter**” means a person who is employed by an authority—

(a) as a volunteer firefighter but not as a regular firefighter or a retained firefighter,

(b) on terms under which he is, or may be, required to engage in fire-fighting or may be required to perform other duties appropriate to his role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting),

(c) otherwise than in a temporary capacity, and

(d) who is obliged to attend at such times as the officer in charge considers necessary, and in accordance with the orders that he receives;

## Summary

Each set of scheme rules (1992, 2006, 2015 & compensation scheme) require that, to be eligible for the pension scheme, a person must be employed as a 'firefighter'. The definitions in each of the scheme rules for a regular, retained, and volunteer firefighter require the person to be appointed under such terms as they are or maybe "required to engage in fire-fighting or, without a break in continuity of such employment, may be required to perform other duties appropriate to their role as a firefighter (whether instead of, or in addition to, engaging in fire-fighting) and whose employment is not temporary"

Only those who meet the eligibility under the scheme rules qualify for benefits from the Firefighters' Pension Schemes and the Firefighters' Compensation Scheme. If a person does not meet this criteria the appropriate scheme is the Local Government Pension Scheme (LGPS).

This factsheet has been prepared by LGA to give some guidance on the rules of the pension scheme using the regulations as they stand at July 2018, however they should be used only as an informal view of the interpretation of the firefighters' pension scheme as only a court can provide a definitive interpretation of legislation. This factsheet should not be interpreted as legal advice

Please address any queries on the content of this factsheet to [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk)

July 2018



## Firefighters' Pension Scheme

### Technical Note: The Police and Firefighters' Pensions (Amendment) Regulations 2018 – [SI 2018/997](#)

#### Background

The government opened a [consultation](#) on proposed amendments to the Firefighters Pension Scheme on 16 April 2018. This closed on 14 May 2018 and a copy of the LGA response to the consultation can be found [here](#).

The amendment order is a shared amendment order between the Firefighter and Police Pension Schemes. [Part 3](#) of the order refers specifically to the amendments of the Firefighters Pension Scheme and it is these amendments to which this note refers.

Amendment order [2018/997](#) has now been laid by the house on 13 September 2018, bringing the amendments into force from 8 October 2018.

- [SI 2018/997](#)

Part 3 of this amendment order makes minor amendments to

- The two pension rule in both the 1992 and 2006 scheme to ensure that indexation is applied as *if* it was pension increases.
  - Survivors benefits in the 2006 scheme to remove the requirement to nominate a co-habiting partner.
  - The commutation of small pensions for pension credit members to remove a reference to out-dated legislation.
  - Club transfer value payments rule 45 in the 2015 scheme to clarify that a border transfer of 1992 scheme benefits should not be paid into the 2006 scheme.
- Voluntary Scheme Pays (VSP)

Those with an interest in both the Firefighter and Police Pension Schemes may note that unlike the amendments to the Police Scheme, Part 3 of the amendment order does not contain any amendments to legislate for Voluntary Scheme Pays (VSP) in the firefighters' pension schemes

This is referred to in paragraph 3.5 of the [consultation document](#) and lays out that it is the view of the Home Office to not legislate for VSP in the firefighters' pension schemes, because unlike

Police, Fire and Rescue authorities already have the discretion to exercise VSP on behalf of scheme members.

The Scheme Advisory Board (SAB) have considered this issue, and have taken further legal advice to ensure that the ability to offer VSP does not change if a Fire Authority becomes a PFCC. Having considered this the SAB are content that VSP will not be legislated for, however this note seeks the opportunity to issue guidance to FRAs with regards to their expectations for VSP to be used in specific circumstances.

## Details

### 1992 Scheme Amendments (Part 3, Chapter 1 of SI 2018/997)

- Rule B5A is [amended](#) to confirm that indexation on two pensions should apply *as if* it were PIA. This should not change any practice of applying indexation, as per [Guidance issued in 2010](#).

It is important to note that the regulation does not apply actual pension increases under the pension increase, rather it instructs the pension to be indexed by an 'equivalent' to PI. This is important because it means the payment is not subject to the Act's qualifying conditions.

Account is taken of a pension's beginning date when the increases are applied. The beginning date is the first day after the last day of service at the higher rate of pay.

When the pension is calculated at retirement age the first pension based on the higher rate of pay would be increased by the pension increase order, for example, a firefighter has entitlement to two pensions where the drop in pay occurred eight years before retirement, the value of the first pension would be increased by reference to all the Pensions Increase Orders that had effect in the previous eight years.

The second pension is calculated based on the pensionable pay on retirement. The two pensions would then be added together in order to compare against the alternative single pension, and the higher pension put into payment.

Please note that whilst the value of Part 1 of the pension at retirement will include the equivalent PI amount, there will be no further increases under the pensions act until age 55 unless retirement is on ill health grounds.

The [archived commentary](#) is a useful reference on applying the indexation.

To see a full consolidated version of this rule with the amendments of SI 2018/997 please click [here](#)

- Rule IA2 is [amended](#) to remove the reference to an ineffective regulation 3(2)(b) of the *Pension Sharing (Pension Credit Benefit) Regulations 2000* (commutation of pension credit benefit: small pensions). This had the effect of allowing commutation of the whole pension for pension credit members on all grounds (i.e. serious ill-health) and not just trivial commutation.

This is a minor amendment to correct the regulations and there should be no need for any change to normal practice.

To see a full consolidated version of this rule with the amendments of SI 2018/997 please click [here](#)



## 2006 Scheme Amendments (Part 3 Chapter 2 of SI 2018/997)

- Surviving Partners Pension

Widely referred to as the [Brewster judgment](#), this judgment considered the need for a partner qualifying as a cohabiting partner to have been nominated by the member to receive the surviving partner's pension was unlawful. As a consequence the requirement to nominate has been removed from the regulation and substituted with 'cohabiting partner'.

The regulations have been [amended](#) in the following parts in order to comply with over-riding case law, by substituting 'nominated' with 'cohabiting' partners

- Table of contents and chapter headings
- Part 1, rule 2 paragraph 1 'Interpretations' – amends the definition of 'child' and 'child's pension' and removes the definition of 'nominated partner'
- Part 2, rule 1 is amended to provide a definition of cohabiting partner, by amending sub paragraph 5b, removing paragraphs 6 to 9 and inserting new paragraph 12.
- Part 3, rule 11, paragraph 2a
- Part 4, Chapter 1, rules 1 to 5
- Part 7, Rule 3

However, while the legal requirement to complete a nomination form in order to pay the surviving partners pension has been removed, it is still considered best practice to complete nomination forms, as this helps the Fire Authority exercise its discretion quickly in order to pay the survivors pension.

To see the consolidated versions of Part 2, Rule 1; Part 3, Rule 11; Part 4, Rules 1 to 5 and Part 7, Rule 3 with the amendments of SI 2018/997 please click [here](#)

- Part 3, rule 7 is [amended](#) to confirm that indexation on two pensions should apply *as if* it were PIA. This should not change any practice of applying indexation, as per [Guidance issued in 2010](#).

It is important to note that the regulation does not apply actual pension increases under the pension increase, rather it instructs the pension to be indexed by an 'equivalent' to PI. This is important because it means the payment is not subject to the Act's qualifying conditions.

Account is taken of a pension's beginning date when the increases are applied. The beginning date is the first day after the last day of service at the higher rate of pay.

When the pension is calculated at retirement age the first pension based on the higher rate of pay would be increased by the pension increase order, for example, a firefighter has entitlement to two pensions where the drop in pay occurred eight years before retirement, the value of the first pension would be increased by reference to all the Pensions Increase Orders that had effect in the previous eight years.

The second pension is calculated based on the pensionable pay on retirement. The two pensions would then be added together in order to compare against the alternative single pension, and the higher pension put into payment.

The retirement age of the 2006 scheme is age 60 with the ability to retire from age 55 with early retirement factors applied, therefore when the pension is put into payment pensions increase can apply.

The [archived commentary](#) is a useful reference on applying the indexation.

To see a full consolidated version of this rule with the amendments of SI 2018/997 please click [here](#)

- Rule 2 of Part 6 is [amended](#) to remove the reference to an ineffective regulation 3(2)(b) of the *Pension Sharing (Pension Credit Benefit) Regulations 2000* (commutation of pension credit benefit: small pensions). This had the effect of allowing commutation of the whole pension for pension credit members on all grounds (i.e. serious ill-health) and not just trivial commutation.

This is a minor amendment to correct the regulations and there should be no need for any change to normal practice.

To see a full consolidated version of this rule with the amendments of SI 2018/997 please click [here](#)

### 2015 Scheme Amendments (Part 3, Chapter 3 of SI 2018/997)

- Schedule 2, para 45 of Part 3D transfer of final salary benefits is [amended](#) to clarify that for a border transfer into England, (i.e. a firefighter with 1992 scheme benefits moving from Northern Ireland, Wales or Scotland) would not have those benefits transferred into the 2006 scheme.

To see a full consolidated version of this rule with the amendments of SI 2018/997 please click [here](#)

### Voluntary Scheme Pays (VSP)

- While the Home Office and the Scheme Advisory Board agree that there is not a requirement to legislate for VSP as Fire and Rescue Authorities already have the discretion to exercise VSP, they nevertheless feel it is appropriate that a Fire Authority *should* offer VSP under the following circumstances
  - (i) transitional members with pension growth of over £40,000 across both schemes (HMRC AA limit) and a corresponding tax charge of £2,000 or more.
  - (ii) members subject to a tapered AA, and a corresponding tax charge of £2,000 or more.

LGA bluelight guidance on VSP can be found on the following links

[VSP Guidance issued January 2018](#)

[Scheme member VSP election form](#)

[Scheme Manager VSP decision form](#)

[Guidance on proportioning scheme pays debit where the tax charge has built up across two schemes](#)

[VSP legal advice issued May 2017](#)

## Actions for Fire Authorities and Local Pension Boards

1. Need to ensure they are aware of the indexation to two pensions and this is properly applied.
2. Need to ensure a policy is in place for exercising VSP and that Firefighters are aware of how they would request the Fire Authority to pay any tax charge arising under the VSP policy.
3. Need to ensure that members in the 2006 scheme are communicated to, to let them know the scheme has been changed to remove the requirement to nominate. You may wish to consider whether as an authority / administrator you would still wish to encourage nominations as good practice, albeit not required under legislation

### Relevant links

- SI 2018/997 - <http://www.legislation.gov.uk/uksi/2018/997/contents/made>
- Explanatory Memorandum to SI 2018/997 - [http://www.legislation.gov.uk/uksi/2018/997/pdfs/uksiem\\_20180997\\_en.pdf](http://www.legislation.gov.uk/uksi/2018/997/pdfs/uksiem_20180997_en.pdf)
- Government response to consultation - <https://www.gov.uk/government/publications/firefighters-pension-schemes-government-response>

### Consolidated Rules

- **1992 Scheme**

Rule	With tracked SI amendments	Current version
B5A	<a href="#">Two Pensions</a>	<a href="#">Two pensions</a>
IA2	<a href="#">Commutation of pension credit benefits</a>	<a href="#">Commutation of pension credit benefits</a>

- **2006 Scheme**

Rule	With tracked SI amendments	Current version
Part 2, Rule 1	<a href="#">Scheme membership</a>	<a href="#">Scheme membership</a>
Part 3, Rule 11	<a href="#">Allocation of pension</a>	<a href="#">Allocation of pension</a>
Part 4, Chapter 1	<a href="#">Surviving spouses, civil partners and cohabiting partners</a>	<a href="#">Surviving spouses, civil partners and cohabiting partners</a>
Part 7, Rule 3	<a href="#">Awards on death or permanent disablement</a>	<a href="#">Awards on death or permanent disablement</a>
Part 3, rule 7	<a href="#">Two pensions</a>	<a href="#">Two pensions</a>
Part 6, rule 2	<a href="#">Commutation of pension credit benefits</a>	<a href="#">Commutation of pension credit benefits</a>

- **2015 Scheme**

<b>Rule</b>	<b>Current version</b>
<b>Schedule 2, Para 45</b>	<a href="#">Acceptance of club transfer balance payments</a>

## Version

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## Distribution

Practitioners, Scheme Managers, Local Pension Board Chairs

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# Technical Bulletin

7 September 2018

## Public Service Pension Schemes: valuations update

On 6 September 2018, the Chief Secretary to the Treasury, Elizabeth Truss, provided an update to Parliament on the actuarial valuations of the public service pension schemes. Her statement included an indication of the likely consequences of the valuations for member benefits and employer contribution rates. This bulletin provides an overview of that [statement](#) and [associated publications](#) issued by HM Treasury.

### Valuing the public service pension schemes - background, purpose and emerging results

Following the final report of the [Independent Public Service Pensions Commission](#) in 2011, reforms were made to public service pension schemes (PSPSs). New career average re-valued earnings schemes were put in place, typically with effect from April 2015. A new framework for actuarial valuations was established, allowing for greater risk-sharing between members and taxpayers. The four-yearly valuations have two key purposes:

#### Public service pension schemes: the two purposes of the actuarial valuations

- To measure certain costs of the scheme against a target rate; the “employer cost cap”: This implements the cost cap mechanism which shares the risks of unexpected costs between members and taxpayers.
- To set the employer contribution rate: When combined with member contributions, contributions are expected to meet the full cost of pension benefits being earned, including past service effects.

The first valuations conducted under this framework generally had an effective date of 31 March 2012, with different dates applying for the local government schemes. You can find more information about these previous valuations in this GAD [Technical Bulletin](#) and HM Treasury (HMT) [policy paper](#), both from 2014.

The next round of valuations typically has an effective date of 31 March 2016. GAD has been working with schemes on these valuations and whilst final results are not yet available, the Chief Secretary to the Treasury's (CST) statement notes that early indications show that:

- for some schemes the cost cap (or cost control) mechanism will lead to improved pension benefits for members in respect of employment between April 2019 and March 2023
- the contribution rate that employers pay towards their schemes will need to increase

### Understanding the cost cap mechanism and how it relates to employer contributions

The previous valuations calculated a figure for each scheme known as the ‘employer cost cap’. Expressed as a percentage of pensionable pay, this is a target rate reflecting the cost of benefit accrual in the reformed scheme. The current valuations measure certain costs of the scheme relative to the cost cap mechanism for the first time. If these costs are more than 2% of pensionable pay above or below the scheme-specific target rate then a breach has occurred and steps must be taken to return costs to the level of the employer cost cap. This can be achieved either by adjusting future benefits or member contributions, or a combination of both.

The employer cost cap is not directly comparable to the employer contribution rate. This is because the cost cap mechanism does not calculate the full cost of the scheme, as members do not share in all scheme risks. Various elements needed to capture the full cost of the scheme are excluded from the cost cap mechanism - for example, the cost cap mechanism is not affected by changes in actuarial methodology or changes to the discount rate used and does not measure costs associated with deferred or pensioner members of the pre-reformed schemes.

### Initial valuation results

**The cost cap mechanism:** Early indications in some schemes show that the costs measured by the cost cap mechanism have decreased by more than the 2% of pensionable pay threshold. If the cost cap floor is breached, this measure of scheme costs will need to be returned to its target value. For each scheme which experiences a breach, discussions will be required between those responsible for the scheme and the Scheme Advisory Board introduced by the [Public Service Pensions Act 2013](#) and the [Public Service Pensions Act \(Northern Ireland\) 2014](#). If no agreement can be reached following a cost cap breach, legislation generally requires that the rate at which benefits accrue will be

amended. A breach of the floor of the cost cap would, for future accruals, lead to an increase in the accrual rate in the reformed schemes.

New information, which affects some key valuation assumptions, helps to explain the fall in the costs of the scheme measured in the cost cap mechanism:

- the Office for Budget Responsibility (OBR) has reduced its forecasts of [short-term pay growth](#) and updated the period over which these apply, meaning accrued final salary pensions are now expected to be less costly
- the latest population projections from the Office for National Statistics (ONS) show forecasts of [future life expectancy](#) have reduced, so pensions will typically be paid for a shorter period than previously expected

These factors mean that schemes are now expecting lower costs to pay future pension payments. Whilst these factors are also reflected in expected changes to employer contribution rates, these downward cost pressures can be more than offset by upward cost pressures outside the cost cap mechanism, such as changes to the discount rate.

**The employer contribution rate:** The CST stated that early indications suggest that the amount employers pay towards the schemes will need to increase. This increase is largely driven by a decrease in the discount rate used to assess the current cost of future payments from the schemes. Known as the SCAPE rate, this discount rate is based on the OBR's long-term projections of GDP growth (and is not captured within the cost cap mechanism). [Budget 2016](#) announced a reduction in the annual rate from 3.0% above the Consumer Prices Index (CPI) to 2.8% above CPI. The CST has now proposed a further reduction, to take effect from April 2019, to 2.4% above CPI. This figure that will be confirmed in due course and formally announced at a later date.

## Updated Treasury Directions

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The Directions specify how to carry out the valuations, including what information to disclose in the valuation reports, so that all the schemes' valuations are carried out consistently and transparently. The Directions instruct schemes how to set various assumptions. Some are specified explicitly whilst others must be determined by each scheme as a best estimate (so with no margin for prudence or optimism).

The HMT [Directions](#) were originally published in 2014 and are effectively an instruction manual to calculate valuation results and operate the cost cap mechanism. This instruction manual must now be updated so that it is suitable to calculate the current valuation results. Alongside the ministerial statement, HMT has published [draft amending directions](#), intended to deliver the required changes.

- **Change in SCAPE discount rate:** The draft amendments propose to change the value of the SCAPE discount rate used in the valuations to 2.4% above CPI, with effect from April 2019.
- **Rectification of cost cap breaches:** Since some schemes are expected to breach the cost cap, details have been added to the Directions on the process of how to rectify a breach. If a scheme breaches the cost cap mechanism, the scheme actuary has to provide a certificate confirming that the proposed changes to benefits and/or contributions bring the costs of the scheme back to the target level. The certificate must also provide the revised employer contribution rate, allowing for these changes.
- **Other amending directions** include: updates to assumptions to allow for recent scheme experience and the latest OBR and ONS projections; requirements for additional disclosures in the valuation report; bringing the cycle of local government valuations into line with the other schemes and various changes to address certain scheme-specific issues.

HMT has also published a [technical annex](#) outlining the reasons behind the amendments and a [letter](#) to the Trades Union Congress. The Northern Ireland Department of Finance published equivalent Directions in 2014 and will shortly issue corresponding draft amending directions.

## Next steps

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The Directions will be finalised once key stakeholders have had time to comment on the draft and a statutory consultation with the Government Actuary has been completed. The final valuation results are expected later this year.

The UK government is committed to implementing the results of the valuations but also to keeping the cost cap mechanism under review. Accordingly, the Government Actuary will be asked to review the mechanism to check whether it is working as intended and delivering the government's objectives. This review will conclude before the next round of four-yearly actuarial valuations - which will be undertaken as at 31 March 2020 with provisional results perhaps emerging during 2022.

*If you would like to discuss any of these issues in more detail or have any questions please get in touch with your usual GAD contact.*

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# Meeting Note

<b>Meeting</b>	Firefighters' Pensions Technical Community	
<b>Subject</b>	Administration and Management Costs – Benchmarking Review	
<b>Date/Time of Meeting</b>	17/09/2018 13:30	
<b>Location</b>	Smith Square, London (LGA offices)	
<b>Attendees</b>	<p>Clair Alcock and Claire Hey (LGA)</p> <p>Des Prichard (SAB)</p> <p>Helen Scargill (WYPF) – Chair</p> <p>Martin Reohorn (H &amp; W FRS)</p> <p>Peter Bishop (Aquila Heywood)</p> <p>Karl Bescoby (Aquila Heywood)</p> <p>Julie Potter (Civica)</p> <p>ClIr Roger Philips (Chair of LGPS SAB)</p> <p>Claire McGow (SPPA)</p> <p>Dave Hood (Kier)</p> <p>Penny Wright (GMFRS)</p> <p>Sam Douglas (SPPA)</p> <p>Aled Williams (Dyfed Pension Fund)</p> <p>Matt Davies (Cornwall County Council)</p> <p>Ian Hayton (Cleveland Fire)</p> <p>ClIr Teresa Higgins (Middlesbrough CC)</p> <p>Karen Winter (Cleveland Fire)</p> <p>Andrew Bosmans (SYFRS LPB)</p> <p>Claudiu Tabacaru (GMFRS)</p> <p>Karen Irvine (Kent FRS)</p> <p>Julie Brown (North Wales FRS)</p> <p>Steve Maginn (Gloucestershire FRS)</p> <p>Carolyn Lyoness (DHSC (NI))</p> <p>Paula White (DHSC (NI))</p>	<p>Virginia Burke (ITM)</p> <p>Jane Marshall (Weightmans)</p> <p>Nicola Daniel (West Yorkshire PF)</p> <p>Toni Sawkins (LPP)</p> <p>Alison Murray and Craig Payne (Aon)</p> <p>David Golding (Essex Pension Fund)</p> <p>Gary McLellan (LGSS)</p> <p>James Durrant (Essex FRS)</p> <p>Neil Lewins (LPP)</p> <p>Claire Neale (Hampshire County Council)</p> <p>Tara Atkins (West Sussex County Council)</p> <p>Elena Johnston (Leicestershire County Council)</p> <p>Michael Prior (Chair of Wales SAB )</p> <p>Lisa Orme (ITM)</p> <p>David Ashworth (Norfolk FRS)</p> <p>Steve Aspin (Norfolk FRS)</p>

Item	Notes
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Introduction	<p>Clair Alcock (CA) outlined the rationale for undertaking the benchmarking review, in particular that the Scheme Advisory Board (SAB) needs to understand what the Firefighters' Pension Scheme (FPS) in England costs to administer so it can respond to questions from the Secretary of State. CA announced that Aon had recently been appointed to undertake this review.</p>
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Alison Murray (AM) and Craig Payne (CP) from Aon explained that the purpose of the session was to consult the group, noting that the administrators' support is vital to the collection of data and success of the review.

AM expressed Aon's delight in being involved in this project and referred to Aon's expertise in this area. AM stated that:

- there are no preconceived ideas on the review's outcome – whilst the conclusion might be that the schemes could be managed more cost effectively, it's equally conceivable that the trends and patterns of responses indicate that extra resources are required
- there will be no naming and shaming of Fire Authorities or administrators
- the review seeks to identify explicit and implicit costs in administering the Scheme with a particular focus on costs for rectification cases and special projects.

Aon's proposed approach includes a survey for each key stakeholder groups:

- Fire and Rescue Authorities (as the Scheme Manager/Employer)
- Administrators
- Members

In addition to the surveys, qualitative data will be obtained via face-to-face meetings where Aon will facilitate discussions/debate. This information will supplement the survey responses to provide a more comprehensive report.

Feedback on administrator survey	<p>CP (a former FPS administrator) set out some of the initial questions drafted for the Administrators' survey. All the surveys will be available for completion on the SAB website and are a mixture of factual and perception questions. CP explained that the Scheme Manager survey will pose questions about their administrator's performance and vice-versa. CA emphasised that for this reason the administrator must not complete the employer survey on a client's behalf, even if they are requested to do so.</p>
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Martin Reohorn (MR) from Hereford and Worcester Fire and Rescue service asked whether employers should predict administrator's performance where there has been a recent change in administrator. CP and CA emphasised that responses should be based on current administration regimes as the aim of the survey is to understand where we currently are. AM suggested an additional question to determine expectation of material difference in the future.

The plan is for administrators to complete the survey for each Fire and Rescue Authority. CP asked whether:

- this would prove to be problematic and
- there is a more efficient approach to collect information

Toni Sawkins (TS) from the Local Pensions Partnership raised an issue that the survey will require input from various sources within the organisation. **CP and CA responded that the option of saving partial information will be explored when creating the functionality of the survey.**

*The group confirmed that Service Level Agreements (SLAs) are generally in place between the Fire Authority and administrator.*

CP also stated that the intention was to ask about administration performance and the length of time taken to process cases such as retirements, deferreds and starter cases. TS



queried over what period the stats figures would be required. CP confirmed the intention is Oct 17 to Sept 18.

The group's feedback was that *stats are provided quarterly*; driven in recent years by the chairs of Local Pension Boards. However, *some reports only identify the percentage of cases that have been processed within the SLA and don't necessarily detail how many days it has taken to process each individual case.*

AM asked the group whether any administrator reports on statutory deadlines in addition to locally agreed SLAs. *The consensus was that this information is not generally being reported.*

Peter Bishop (PB) (Aquila Heywood) and Julie Potter (JP) (Civica) joined this discussion confirming that this information is readily available from both software systems if required and they are happy to work with administrators to extract this information although were clear that the reports rely on workflow systems being used with consistency.

**Aon/SAB to follow up on the requirements for the survey and discuss with the software suppliers whether standard reporting can be made available to ensure the information supplied in the survey is consistent.**

This generated a further debate around the definition of retirements and prompted a plea from Des Prichard (DP) to ensure consistency and transparency is achieved when crafting the survey questions to ensure the requirements are absolutely clear to respondents to enable a suitable comparison when analysing data. Andrew Bosmans (AB) supported this point,

Dave Hood (DH) from Kier asked what the timescale for the survey is. CP and AM confirmed that it is hoped to launch the surveys in early October with an end date of 30 November, although this could be extended.

**Post meeting update – it is now likely that this is going to be delayed until November to end of December to allow a further consultation period**

CP mentioned that both the employer survey and administrator survey were keen to capture the number of staff (FTE) working on aspects of the FPS. TS stated that this may prove to be difficult to quantify per Fire Authority - this information is detailed in contractual information held by their HR department and some resources are only dedicated on an ad-hoc basis.

**It would be useful if others could confirm if they envisage similar difficulties.**

*TS also suggested that it would be important to consider the scope of the administrator's role since some will have a wider remit and others and this needs to be allowed for when considering costs.*

CP advised that feedback from members was to include deferred and pensioner members as well as currently active firefighters and asked the group whether administrators would be best placed to communicate this survey with deferred and pensioner members. This generated a lengthy discussion where questions were asked whether pensioners and deferreds should be in scope for the survey given that it is likely that this will only generate a low response rate or those responses will be from those with negative feedback. DP added that a strategic approach is needed to engage with members. AM responded that the preference is not to exclude any member demographic. Aon will ensure a sense of pragmatism will be taken when reviewing the member responses.

Helen Scargill (HS) raised a cost issue and questioned who will pick up the cost if administrators contacted all deferred and pensioner members. AM and CA responded and emphasised that the intention was not to write to all members but to publicise the survey via

electronic communications. HS noted that email addresses are not commonly held for deferred and pensioner members.

Further observations were made recognising the change in administrators since members had become deferred or a pensioner.

**Aon will work with LGA to discuss how best deferred and pensioner member feedback may be gathered.**

CA highlighted the importance of asking these questions in order to benchmark standards, which may allow the cost of badly drafted legislation and policies and lack of central support to be quantified.

A question was raised from the Northern Ireland Fire & Rescue Service asking whether this survey is relevant for them. CA responded that this exercise is only relevant to the Fire and Rescue Authorities based in England.

A further question was raised asking whether admin costs will be benchmarked against other schemes. CA and AM emphasised that ideally this would be carried out but recognised the difficulties in finding a direct comparison as the FPS is unfunded and locally administered meaning a direct comparison with another public or private scheme wouldn't be appropriate.

The session was brought to an end with DP re-emphasising the requirement and importance of this exercise and asking all stakeholders to be as open and honest as possible.

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Additional comments from session on 18 Sept

It was suggested that it would be helpful for FRAs to be provided with their own data back once the survey is complete so that they can understand where they sit within the scheme.

**Aon/LGA to consider if/how this can be achieved, noting that it seemed like a good idea.**

A further request was raised in relation to whether the survey would ask about the location of payroll or administration staff given the possibility of this being a factor in costs.

**Aon/LGA to consider.**

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Further feedback

Please provide any additional comments here and if you would welcome a further discussion, e.g. by conference call

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