



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

Purpose: Noted

Meeting: **HIWFRA Firefighters' Pension Board**

Date: **15 APRIL 2021**

Title: **FIRE PENSION BOARD STATUS REPORT & RISK REGISTER REVIEW**

Report of Chief Financial Officer

STATUTORY REPORTING

1. The Accounting for Tax (AFT) for quarter 3 2020/21 and the Event reports for 2019/20 were submitted and paid to HMRC on 18 January 2021. The table below shows the breakdown of the payments made.

Type of payment	Number of members	Amount paid
AFT - Annual Allowance tax charge	9	£139,941
Event 1 – Unauthorised payment tax charge	15	£85,552
Total paid to HMRC		£225,493

TEMPORARY PROMOTION COSTINGS

2. The Board will recall how HFRA made a local decision regarding temporary promotions and their treatment for different cohorts of employees when we initially wrote to all affected members in August 2016.
3. Cohort 1 was made up of members that had already retired, and Cohort 2 was made up of members who had the potential of an earliest retirement date within three years of August 2016.
4. Members in cohorts 1 & 2 are protected members and as this was a local decision, any differences in their actual benefits (based on temporary promotion pay) v their legislative benefits (based on an Additional Pension

Benefit (APB) and substantive pay) must be paid for by HIWFRA and not the Home Office.

5. An APB is calculated using the contributions paid on the additional pay received because of the temporary promotion and dividing it by a Government Actuary factor based on the member's age. This provides an amount which is paid in addition to the normal annual pension.
6. The maximum cost envelope as agreed by HFRA of the estimated costs for the 41 protected members in cohorts 1 and 2 were £256,000 for lump sums and £35,700 a year for annual pensions.

Tax year	Number of retirements	Additional lump sums paid	Additional annual pension paid
2015/16	1	£22,491.88	£562.30
2016/17	5	£45,417.12	£7,406.19
2017/18	3	£22,788.87	£12,810.35
2018/19	5	£40,461.95	£16,285.51
2019/20	9	£46,969.02	£24,663.62
2020/21	6	£66,459.90	£32,138.95
Total	29	£244,588.75	£32,138.95

7. Of the differences that have been paid out so far for the 29 members across both cohorts, most are broadly in line with the estimated figures prepared in 2016 and are all still within the maximum cost envelope.
 - (a) Total of all lump sum differences paid are £244,588.75
 - (b) Annual pensions differences paid for 2020/21 are £32,138.95
8. The remaining 12 members are still in employment and could retire at any point. There are a number of factors which could mean that the estimated figures might be exceeded:
 - (a) A different retirement date to the one used in the estimate
 - (b) Pay increases since 2016 to date of retirement
 - (c) A protected and unbroken period of temporary promotion which continues until date of retirement
 - (d) The increase in the commutation factors for the 1992 scheme that came into effect in October 2018.
9. Out of the remaining members, it is anticipated that only three will be affected due to the others being permanently promoted or where the temporary promotion has ceased and the current pay has now exceeded any temporary promotion pay.

10. Two retirements in 2020/21 had significantly different retirement figures when compared to the estimates calculated in 2016. Overall, this made a difference of approx. £48,000 on the lump sum and £9,000 in annual pension. These variances were mainly due to the fact that the temporary promotion pay had increased significantly due to career grade progression, and the difference to the substantive grade was therefore greatly increased.
11. These variances, which could not have been anticipated when calculated in 2016, now mean that we are likely to exceed the cost cap envelope initially agreed by HFRA.
12. Based on revised estimates for the remaining three affected members and to ensure that the future provision is accounted for, we will be seeking approval from the Fire Authority to increase the cost cap envelope as follows:
 - (a) For lump sums from £256,000 to £291,000 (increase of £35,000)
 - (b) For annual pensions from £35,700 to £38,700 (increase of £3,000)

COMMUNICATION

13. Since the last Board meeting, there has been one online pre-retirement presentation and two online presentations to new recruits. All three presentations were well received and although not the same as in person meetings, there was still a lot of interaction and generally they worked well.

MEETINGS

14. The Employer Pension Manager has continued to attend the fortnightly “coffee mornings” put on by the LGA. She has also attended the Fire Communications Working group and the Fire Technical group, which are both national meetings. All of these are hosted by the LGA and have been online meetings.
15. The Employer Pension Manager has also recently been appointed to the practitioner vacancy on the Local Pension Board Effectiveness committee; this is one of three sub committees that the Fire SAB has in place.

MEMBER PORTAL

16. There is a very slight increase in members registered on the Pensions Member Portal from the last Board meeting. Firefighters now registered stand at 38% of active membership.
17. A breakdown of those registered split by age groups are shown in the table below:

Pension online registration numbers as at 23/03/2021							
Number of actives per age range							
HFRA FPS	under 30	30-40	40-50	50-55	55-65	65+	Total
Registered	19	67	148	88	42	0	364
Not registered	96	197	187	73	43	2	598
Total	115	264	335	161	85	2	962
Percentage of all actives per age range							
HFRA FPS	under 30	30-40	40-50	50-55	55-65	65+	Total
Registered	2%	7%	15%	9%	4%	0%	38%
Not registered	10%	20%	19%	8%	4%	0%	62%
Total	12%	27%	34%	17%	8%	0%	100%

COMBINED FIRE AUTHORITY (CFA)

18. At the point of transfer there was one member from IWFRS who was on a temporary promotion. The member was an RDS scheme member and therefore the impact of making his temporary promotion pensionable is not considered to be significant. The Employer Pension Manager wrote to the member and advised them of the changes that this would mean to their deductions and net pay.
19. There were 22 members that were paying their arrears of contributions for the 2006 Modified Fire Pension Scheme at the point of transfer. These members were paying by Standing Order to IWC. The Employer Pension Manager wrote to all the members and asked them to cancel their payments to IWC after their March payment had been made. They were asked to complete a Direct Debit Mandate form to set up the new payments from April 2021 with the Hampshire County Council finance team.
20. There will need to be an audit of the contributions that have been paid to IWC as there are some discrepancies over what has been paid. This will be done when the final information has been sent from IWC. The members have been informed that they will be contacted about any discrepancies in early summer.
21. The test data load and parallel pension payroll running went smoothly with only a handful of issues that have all since been resolved. The live data cut for pensions data will be loaded into UPM, the pension administration system, at the end of March 2021.

22. Fire Pension Scheme membership being transferred from IOW is as follows:

Member status	Number of members
Active	114
Deferred	115
Pensioner and beneficiary	130
Total	359

PENSION BOARD MEMBERSHIP

23. Due to the new Combined Fire Authority of the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) coming into effect from 1 April 2021, the Pension Board has been increased in membership from six members to eight members. We welcome two new members, Ross Singleton and Sean Harrison to the new HIWFRA Fire Pension Board.
24. Having a strengthened Pension Board at this time will prove invaluable as the next few years are likely to be quite challenging for pension administration.

TPR ADMIN SURVEY

25. Each year The Pension Regulator issues a Public Service Governance and Administration survey to be completed. The Employer Pension Manager sent this to all Pension Board members for their comments and the final version was submitted by the deadline on 12 February 2021. This can be found in APPENDIX A.

RISK REVIEW

26. There are a number of items in pension administration and governance which contain elements of risk to varying degrees. Risks are captured through a variety of ways; some are on the risk register, while others are picked up as part of the regular horizon scanning that the Employer Pension Groups do.

RISK REGISTER

27. The board are asked to review the Risk Register and to suggest any amendments. The Risk Register can be found in APPENDIX B.

McCLOUD / SARGEANT REMEDY

28. The Government published their response to the Unfunded Public Service Pension Scheme consultation on 4 February 2021. This can be found in

APPENDIX C. The response allowed us to put out some initial comms to members with four main points:

- (a) Members with 1992 benefits, will still be able to retire and receive their 1992 portion of benefits when they expect to, e.g. age 50 with at least 25 years' service, age 55 etc. Meaning that you do not need to retire on or before 31 March 2022 to receive your 1992 scheme benefits
 - (b) To remove discrimination going forward, all members regardless of current protection status, will move to the 2015 scheme from 1 April 2022
 - (c) Between April 2022 and 1 October 2023, active members will have their relevant membership moved to their "legacy scheme" for the remedy period (1 April 2015 to 31 March 2022). Implementation will involve many retrospective actions for each member that will need to be carried out
 - (d) All members will be able to make a choice about their benefits at the point that they retire – Deferred Choice Underpin (DCU)
29. The message also made it clear that it was not possible to provide estimates with remedy to members and also provided a link to a Home Office issued FAQ document which can be found in APPENDIX D.

McCLOUD - PROJECT

30. As the Board will be aware, we have Employer Pension Groups that have been running for some time. These will continue to pick up pension issues, but we have formed a new separate McCloud remedy group. This is combined for all partners and schemes and has representatives from Hampshire Pension Services, IBC Pensions Admin, HR and finance so that we can collectively manage the approach and workloads for McCloud. The first meeting of this group is on 22 April 2021.
31. An initial high level report has been written and covers the work plan and costings for the first six months of 2021/22. This includes all work that the Hampshire Pension Services will need to carry out and therefore covers the Local Government, Police and Fire Pension Schemes. The resources and costings will be reviewed each quarter to ensure that we have adequate allocations where necessary.
32. The report highlights that for the Fire Pension Schemes, there is a lot of data that needs to be collected for the remedy period 1 April 2015 to 31 March 2022. Some of this will be particularly complex, specifically around correctly identifying whether allowances are pensionable or not and the correct pay information around temporary promotions.

33. When the data has been collected and passed to Hampshire Pension Services it will then need to be uploaded onto each member's record and this is going to present its own challenges and difficulties.
34. Due to the complexities of the Police and Fire Pension Schemes, it takes approximately six months to adequately train a member of staff. A new appointment has been made into the Police and Fire Team within Member Services, with a view to being able to release a more experienced member of the team to deal with McCloud remedy work as the project progresses.
35. For the first six months of 2020/21 we have estimated the percentage of time that each of the team would spend on McCloud remedy work; and specifically of that how much would be on Police and Fire Schemes. We have then split the Police and Fire costs between each partner, and we have attributed 35% of this cost to HIWFRA. The indicative Police and Fire costs are shown in the table below.

POLICE AND FIRE	Financial Year 2021/22		Financial Year 2021/22		
	Q1 % split of costs	Q1 Costs	Q2 % split of costs	Q2 Costs	Total Q1 and Q2
% of costs for Police and Fire Schemes split by partner					
POLICE					
Hampshire Constabulary	47.0%	£ 4,786.94	47.0%	£ 5,516.90	£ 10,303.84
Police Total	47.0%	£ 4,786.94	47.0%	£ 5,516.90	£ 10,303.84
FIRE					
Hampshire & IOW Fire Authority	35.0%	£ 3,564.74	35.0%	£ 4,108.33	£ 7,673.07
West Sussex Fire Authority	18.0%	£ 1,833.29	18.0%	£ 2,112.86	£ 3,946.15
Fire Total	53.0%	£ 5,398.03	53.0%	£ 6,221.19	£ 11,619.22
POLICE AND FIRE TOTAL	100.0%	£ 10,184.97	100.0%	£ 11,738.09	£ 21,923.06

McCLOUD – IMMEDIATE DETRIMENT

36. The Board will recall from the last Board meeting that it was agreed that Immediate Detriment would be considered on a case by case basis, with three main points, we can now provide an update as the situation has changed:
- (a) The outcome to the latest EAT hearing stated that FRAs do have the legal powers to provide Immediate Detriment to all members that are retiring, rather than just claimants of the original case
 - (b) The wording for the waiver the member has to sign has not yet been received from HMT and we have no timescales for this. We have received a disclaimer from West Midlands Police and Hampshire Constabulary have assessed the suitability of this with their legal team and deemed it to be suitable. It is therefore proposed that HIWFRA use the same disclaimer. This can be found in APPENDIX E.

- (c) The pension case must be clear and straight forward. This will be determined by the completion of a matrix with input from both the IBC Pensions Administration Team and Hampshire Pension Services, with the ultimate decision resting with the employer
- 37. The Employer Pension Manager has been working with Hampshire Pension Services and the IBC Pensions Administration Team and a process for assessing these cases has been agreed. This can be found in APPENDIX F.
- 38. Where Immediate Detriment can be offered and it is approved, a letter is sent to the member outlining things that they will need to consider and asking them to confirm if they wish to proceed using Immediate Detriment or not. This can be found in APPENDIX G.
- 39. Where Immediate Detriment cannot be offered or is not approved, a letter is sent to the member notifying them of the decision with an explanation of why Immediate Detriment cannot be offered to them.
- 40. Whilst this assessment can be made at the point of retirement, it can be done prior to this and we have therefore recently issued a further comms message to ask members that are intending to retire in the next year to contact us. This will enable us to go through the initial assessment phase well before their retirement, enabling us to notify members of the decision and advise them of the timescales involved.
- 41. One of the main issues with Immediate Detriment is that the collection of data and all the associated calculations to provide two sets of information, one based on legacy benefits and one based on reformed benefits for the remedy period all has to be done manually and there is very little guidance for some scenarios. This means that it takes between two and three months to be able to provide this information to the member.
- 42. At this time, with the resources and guidance available, we are only able to provide this information once at the point of retirement. The process of collating the data and performing the calculations will only start at the point when the member has declared their intent to retire and two things have happened:
 - (a) the member has handed in their resignation and their line manager has made them a leaver in the SAP portal; and
 - (b) the member has completed and submitted their retirement declaration form, this can be no earlier than three months prior to retirement
- 43. We have so far assessed seven cases for Immediate Detriment and found them to be clear and straight forward. The first case where Immediate Detriment will be applied to a retirement is due at the end of April. We expect to have more of these cases arise over the next several months.

COMMUNICATION PLAN

44. It would be useful for the Board to provide their views on a communication plan and whether we should target specific groups and use Routine Notice, global email or other communication tools. It would also be helpful for the Board to consider appropriate timescales for these messages.
45. For instance, we may want to consider different messaging to current Protected members because if they remain in the employment and in the scheme after 31 March 2022, then they will be moved into the 2015 Scheme from 1 April 2022. It will be important to ensure that they understand those changes and how it may impact the calculation of their benefits. It is possible that they may not have paid any attention to the 2015 Fire Pension Scheme previously as it did not concern them.
46. The active and pensioner member numbers in the table below provides a snapshot as at the time of writing the report of those that are affected by remedy, (this excludes any Isle of Wight membership data as this was not available at the time of writing the report). This has been split by the member's legacy scheme and their current protection status.

	Protected Members		Tapered members		Unprotected members		Legacy Scheme
Legacy Scheme	Active	Pensioners	Active	Pensioners	Active	Pensioners	Total
1992	40	99	75	45	205	0	464
2006	11	14	31	8	336	2	402
2006 Modified	13	19	9	0	7	0	48
TOTAL	64	132	115	53	548	2	914

47. The 187 pensioner members have all left on or after 1 April 2015 and based on current Immediate Detriment guidance, these cases cannot be dealt with and will have to wait until all the legislation is in place. This will be some point after April 2022. Hampshire Pension Services will contact each of these members and they will be provided with their remedy calculations and will be asked to make their choice at that time.
48. There are 663 members that are current active members with either Tapered or Unprotected status, some of these may well retire in the next 12 to 18 months, but for those that remain active on 1 April 2022, the Deferred Choice Underpin will be implemented by 1 October 2023 and this will involve moving all these active members back to their legacy scheme for the whole of the remedy period and resolving all the associated work with that, i.e. member and employer pension contributions, contribution holidays, Annual Allowance, CPD payments, temporary promotions, etc.
49. Also from 1 April 2022, we will have to move any of the 64 Protected members that are still active into the 2015 Fire Pension Scheme.

RECOMMENDATION

50. That the content of the report be noted by the HIWFRA Firefighters' Pension Board
51. That Risk Register as set out in paragraphs 26-27 and Appendix B be approved by the HIWFRA Firefighters' Pension Board

APPENDICES ATTACHED

52. APPENDIX A – TPR Administration survey
53. APPENDIX B – Risk Register
54. APPENDIX C – Government response to the consultation
55. APPENDIX D – Home Office FAQ document
56. APPENDIX E – Disclaimer
57. APPENDIX F – Immediate Detriment process
58. APPENDIX G – Letter to member about Immediate Detriment offer

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