



**Hampshire
& Isle of Wight**

FIRE & RESCUE AUTHORITY

HIWFRA Standards and Governance Committee

Purpose: Noted

Date: **26 JULY 2021**

Title: **FIRE PENSION BOARD ANNUAL REPORT (2020/21)**

Report of Chief Financial Officer

SUMMARY

1. This is the annual report from the Hampshire Fire Pension Board to the Standards and Governance Committee and summarises the work of the Board for the 2020/21 financial year in the exercise of its functions; it provides an update on the progress of key issues during the reporting period.
2. The Isle of Wight Fire Pension Board do not produce annual reports for the Isle of Wight Council, but their Fire Pension Board meetings always contained the papers from the Hampshire Fire Pension Board meetings. This report therefore relates specifically to the work relating to Hampshire Fire and Rescue Authority only.

PENSION BOARD MEETINGS

3. The Pension Board met periodically, holding three meetings, during the 2020/21 financial year; A meeting that was scheduled for April 2020 was cancelled due to the Covid-19 pandemic. The three other meetings in the year were all held as virtual meetings.
 - (a) 15 July 2020
 - (b) 8 October 2020
 - (c) 27 January 2021

4. The meeting in July 2020 saw the re-election of Stew Adamson to Chairman and Richard North to Vice-Chairman. Both will hold the position until the 31 March 2021, after which point the Combined Fire Authority will be established.
5. There was a vacancy in the Board membership and Mark Hilton was appointed as a new Scheme Representative member and joined the Board for the meeting in October.
6. The key items covered at these meetings are as follows, more detailed information about each of these items can be found later in the report.
 - (a) Statutory reporting
 - (b) Risk review
 - (c) Communications
 - (d) TPR Scheme return
 - (e) Scheme Advisory Board levy
 - (f) Temporary Promotions and Additional Pension Benefits
7. The pension board status and other associated reports can be found in APPENDICES A – H.

STATUTORY REPORTING

8. There are a number of statutory reporting events that occur during the Scheme Year all with legislative deadlines.

ACCOUNTING FOR TAX

9. Accounting for Tax (AFT) is the way that tax charges are reported to HMRC, these occur when certain types of payments are made to members of the Fire Pension Scheme. These are reported and paid quarterly, the exception to this is Annual Allowance tax charges as they have different deadlines.

Type of payment	Number of members	Tax year or quarter relates to	Amount paid
Annual Allowance	1	2017/18	£37,481
Annual Allowance	1	2018/19	£29,520
Annual Allowance	1	2019/20	£15,593
Life-Time Allowance	1	2019/20	£3,817
Total paid to HMRC	4		£86,411

EVENT REPORTING

10. In April 2020, the details of the Event Reporting for the 2018/19 tax year were reported to the Board. These are specific events that occur, primarily upon

retirement when benefits are crystallised and incur a tax charge. They are reported to HMRC by the 31 January, following the end of the tax year.

Type of payment	Number of members	Tax year or quarter relates to	Amount paid
Event 1 – Unauthorised payments	17	2018/19	£103,543
Total paid to HMRC	17		£103,543

RISK REVIEW

11. There are a variety of items in pension administration and governance which contain elements of risk to varying degrees. Risks are captured through a variety of ways; some are on the risk register, while others are picked up as part of the regular horizon scanning that the Employer Pension Groups do.
12. These groups are now well established, meeting regularly and include representatives across the board from pensions, HR, finance and others.
13. The Board heard about two specific risks arising from two court judgements that will inevitably have an impact on Fire Pensions. These are:
 - (a) The O'Brien case which is for part time workers in the Judiciary Pension Scheme
 - (b) The McCloud / Sargeant transitional protections case for the Judiciary and Firefighters pension schemes

O'BRIEN v MINISTRY OF JUSTICE COURT CASE

14. This is also known as the Matthews case; it relates to part time working and pensions. In essence, these cases had employment going back to the 1970's, but were only eligible to enter the pension schemes from 2000, when the Part Time Workers Directive came into force; however, the court determined that the whole of the employment should count for pension purposes and not just the period from 2000.
15. It was reported to the Board that a consultation was expected in late spring of 2020, but that was before Covid-19 hit, and has subsequently been delayed; we have no information on when this is now expected. The consultation will help us to define the parameters of this work and to be able to start to identify the volume and scope of what will be required.

SARGEANT v LONDON FIRE AND EMERGENCY PLANNING AUTHORITY
COURT CASE

16. This is also known as the McCloud case and relates to the age discrimination court case that was brought against the transitional protections for the 2015 Fire Pension Scheme.
17. The Board heard that HM Treasury issued a consultation on 16 July 2020 about their proposals of how to apply remedy for the age discriminations; the consultation closed on 11 October 2020 and a response to the consultation was approved and submitted on behalf of the Fire Pension Board.
18. It was reported to the Board that the Employer Pension Manager is project managing the McCloud remedy work for Hampshire Pension Services. This will cover the Local Government Pension Scheme, the Police Pension Schemes and the Fire Pension Schemes across all partners and employers that Hampshire Pension Services provide a pension administration service for.
19. An initial project plan has been drafted and split between actions and tasks that can be undertaken before or after April 2022. It is currently anticipated that while some initial preparation work can be actioned prior to April 2022, the majority of the work will take place after April 2022. This means that although some resources are required now this will need to be increased as the project continues.
20. The Board heard that the process of pulling together some high level indicative costs based on anticipated resources and work required was underway. Hampshire Pension Services will be looking to share the cost between all its partners for which it administers pensions, but there will be some efficiencies and common work across the partners.
21. In addition to the issues of implementing remedy, it was reported to the Board that the FRA will have an additional complication due to the CFA taking effect from 1 April 2021. Because of both the payroll arrangements and HMRC requirements to make all employees a new starter under the new employer.
22. It means that there will only be manual access to historical payroll data prior to 1 April 2021 and that we will not be able to use the SAP HR/Payroll system to automatically calculate the necessary member contributions and pay details that will be required for the remedy period for both the legacy and reformed schemes.
23. There will be significant challenges to calculate the relevant information for all members of the HIWFRA and members that have left either FRA within the remedy period, as all this work will need to be done manually.

COMMUNICATION

24. Due to the Covid-19 pandemic, some pre-retirement courses had to be cancelled. One face to face, socially distanced course went ahead in December 2020 and it was then agreed that for the foreseeable future, future courses would be held via MS Teams, the first one was in February 2021 and was well received.
25. Two virtual pension presentations were also held for new recruits in February and March 2021.

MEETINGS

26. The Board heard how HFRA have been represented at a variety of meetings. The Employer Pension Manager regularly attends the Fire Technical Group, the Fire Communications Working Group and the regional South East Fire Pension Officers Group. Over the last year, the LGA have held fortnightly "coffee mornings" which has been a great way to keep in touch and to keep up to date with all the latest developments. All of these meetings have been held online.
27. The Board also heard about the attendance at the online Fire AGM in September 2020, there were a number of speakers and the AGM focussed very much on the McCloud remedy

MEMBER PORTAL

28. At the February Fire Pension Board meeting, it was reported that registrations to the Pensions Member Portal still remain low, although are slowly rising, with around 36% of current active members registered.
29. Hampshire Pension Services are now encouraging new starters to the scheme and retirees to register for the portal through improved processes. We also hope to improve the functionality of the portal and this will also entice more members to register. The portal will also be used as more of a communication tool for McCloud rather than sending letters to members, they may be required to view documents via the portal.

TPR SCHEME RETURNS

30. It was reported to the Board that the Employer Pension Manager completed the annual pension scheme returns for The Pension Regulator. This survey requires information to be submitted about scheme membership numbers, details of the scheme manager, Fire Pension Board members, details of the administrator and other relevant contact details.

31. TPR also require data scoring which consists of common data and scheme specific conditional data. The common data score is made up of things like personal data such as name, address, date of birth etc, while the scheme specific data score varies from scheme to scheme and for Fire would include specific things such as membership data including any transfer in details, CPD, temporary promotions etc.
32. The table below shows the scores for year ending 31 March 2019 and the latest year 31 March 2020, which shows that improvements have already been made across most areas. Hampshire Pension Services have a data improvement plan in place which will aim to increase the data scores year on year.

The Pension Regulator Scheme Returns - FIRE Schemes						
Year end	31/03/2019					
TPR Scheme Return	November 2019					
Scheme	Actives	Deferreds	Pensioners	Beneficiaries	Common Data Score	Conditional Data Score
1992 Fire Pension Scheme	110	81	836	131	96%	90%
2006 Fire Pension Scheme	30	421	37	5	84%	75%
2006 Modified Fire Pension Scheme	27	42	67	2	98%	82%
2015 Fire Pension Scheme	1,055	358	5	0	97%	73%
Total	1,222	902	945	138		
Year end	31/03/2020					
TPR Scheme Return	December 2020					
Scheme	Actives	Deferreds	Pensioners	Beneficiaries	Common Data Score	Conditional Data Score
1992 Fire Pension Scheme	53	68	831	136	98%	92%
2006 Fire Pension Scheme	13	411	43	4	88%	98%
2006 Modified Fire Pension Scheme	15	38	73	3	98%	90%
2015 Fire Pension Scheme	1,057	443	5	7	98%	97%
Total	1,138	960	952	150		

SCHEME ADVISORY BOARD LEVY

33. It was reported to the Board that the Scheme Advisory Board (SAB) levy for 2020/21 was £8.29 per active fire-fighter, which is calculated at £6.20 for the SAB and £2.09 for employers.
34. The levy is important as it enables costs savings for Fire Authorities by reducing duplication and undertaking guidance and communications centrally and helps to ensure national consistency.

TEMPORARY PROMOTIONS AND ADDITIONAL PENSION BENEFITS

35. There was an amendment to legislation on 1 July 2013 which allowed individual FRAs to decide whether the additional pay received because of a temporary promotion for 1992 and 2006 schemes was pensionable or not. Legislation means that temporary promotions within the 2015 Scheme are not pensionable.
36. HFRA took the decision to make temporary promotions within the 1992 and 2006 schemes pensionable, which meant that firefighters would now earn an Additional Pensionable Benefit (APB) whilst on Temporary Promotion.
37. Affected members were informed of this change on 5 August 2016. Members were placed in one of three cohorts according to their earliest possible retirement date.
 - (a) Cohort one was for members already retired
 - (b) Cohort two was for members who could retire within three years of the date of the notification letter (5 August 2016)
 - (c) Cohort three was for members with a retirement date further ahead
38. The 42 members in cohorts one and two therefore became protected members under this local arrangement and the maximum cost envelope agreed by HFRA of the estimated costs were £256,000 for lump sums and £35,700 a year for annual pensions.
39. Up to 2019/20 there had been 23 retirements and it was reported to the Board that the differences that have been paid out so far for these members were broadly in line with the estimated figures prepared in 2016; and are all still within the maximum cost envelope.
 - (a) Total of all lump sum differences paid are £178,128.84
 - (b) Annual pensions differences paid for 2019/20 are £24,663.62
40. 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
41. The Board heard that should we get close to exceeding the maximum cost envelope then further approval will need to be sought for additional funding.

OTHER ITEMS

42. At the July meeting, the Board received a report of the Pension Administrator. They were pleased to note that Hampshire Pension Services had performed very well during the year. The Board heard that they had once again been awarded Customer Service Excellence accreditation with compliance plus in seven areas.

FUTURE ISSUES

43. The Fire Pension Board annual report has identified considerable development across a variety of areas. The focus for the 2021/22 year includes:
 - (a) Improvements to functionality of Member Portal
 - (b) Work to complete the transfer of data for the Combined Fire Authority
 - (c) Remedy and impact from McCloud / Sargeant judgement
 - (d) Potential impact from the O'Brien judgement

CONCLUSION

44. As set out in this report, there has been continued progress across all areas of fire pensions during 2020/21; in particular around governance and control, together with significant improvements in the quality and range of pension information that is available to firefighters.
45. For 2021/22, the year will be about sustaining the continuous improvement and building on the foundations that have been put in place. It will also be a challenging year with a number of upcoming changes to the pension schemes.
46. Although the list of future issues only contains four items, the volume of work for each of these should not be underestimated. Each area will have its own complexities and challenges and having the right amount of resources in place will be key.
47. Hampshire Fire Pensions are in a good place as there is already a robust structure in place with the Employer Pension Manager and the Employer Pension Groups which are an excellent multi-departmental resource across the Shared Services partnership and they will be crucial in co-ordinating the work involved.

RECOMMENDATION

48. That the content of the report be noted by the HIWFRA Standards and Governance Committee
49. That feedback on previous work or future areas of priority is provided to the HIWFRA Firefighter's Pension Board by the HIWFRA Standards and Governance Committee

APPENDICES ATTACHED

50. APPENDIX A – Fire Pension Board report and Risk Review (15 July 2020), [report](#), [appendices](#)
51. APPENDIX B - Legislation and Local Government Association (LGA) Update report (15 July 2020), [report](#), [appendices](#)
52. APPENDIX C - Pension Administration update report (15 July 2020), [report](#)
53. APPENDIX D – Fire Pension Board report and Risk Review (8 October 2020), [report](#), [appendices](#)
54. APPENDIX E - Legislation and Local Government Association (LGA) Update (8 October 2020), [report](#), [appendices](#)
55. APPENDIX F – Fire Pension Board report and Risk Review (27 January 2021), [report](#), [appendices](#)
56. APPENDIX G - Legislation and Local Government Association (LGA) Update (27 January 2021), [report](#), [appendices](#)
57. APPENDIX H – Draft Terms of Reference for HIWFRA Pension Board and Membership (27 January 2021), [report](#), [Annexe A](#), [Annexe B](#)

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