



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

## **HIWFRA Firefighters' Pension Board**

Purpose: Noted

Date: **14 OCTOBER 2021**

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

Report of Chief Financial Officer

### SUMMARY

1. This report provides an update on the development of key items.
2. This report, together with attachments, provides the framework for this meeting agenda.

### STATUTORY REPORTING

3. The Accounting for Tax (AFT) for quarter 1 2021/22 was submitted and paid to HMRC on 19 July 2021. The table below shows the breakdown of the payments made.

<b>Type of payment</b>	<b>Number of members</b>	<b>Amount paid</b>
AFT – Life Time Allowance	1	£170,823
Total paid to HMRC		<b>£170,823</b>

### ANNUAL BENEFIT STATEMENTS (ABS)

4. The Board will be pleased to note that 100% of Annual Benefit Statements were issued to active and deferred members. These were published online and made available to members by mid August on the Pensions Member Portal.

## PENSION SAVINGS STATEMENTS (PSS)

5. The deadline for members to receive their Pension Savings Statements was 6 October. Hampshire Pension Services wrote to 23 Fire pension Scheme members to advise them that they had exceeded their Annual Allowance in 2020/21.
6. There are 11 members that have incurred a tax charge and they will now have until 31 July 2022 to elect for Mandatory Scheme Pays if they wish the scheme to pay the tax charge.
7. As mentioned in the Legislation and Local Government Association (LGA) Update report, although HMRC are proposing to extend these deadlines for retrospective amendments, for the normal annual cases, the deadline will remain as 31 July in the year following that in which the tax year ends.

## COMMUNICATION

8. Since the last Pension Board report, the Employer Pension manager has provided an online presentation at the pre-retirement course and an in person presentation to new trainees.

## MEETINGS

9. 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. These are national meetings and hosted by the LGA and continue to be held online.
10. The Employer Pension Manager attended the NFCC seminar which was about the age discrimination remedy and the new Pensions Schemes Bill. She also attended the Local Pension Board Effectiveness Committee where the 2020-21 TPR Government and Administration survey results were discussed.

## MEMBER PORTAL

11. The Member Portal stats reporting has now been corrected by Hampshire Pension Services and will now reflect accurately the members actual membership journey and their current status with the pension scheme.
12. Previously if an active member registered, but then left and became a pensioner member the registration numbers would not have changed and it would have remained as an active registration. Now the reporting will show a decrease in the active registrations, but an increase in the pensioner registrations.

13. Numbers of those registered are shown in the table below, as at 31 August 2021:

HAMPSHIRE & ISLE OF WIGHT FIRE AND RESCUE SERVICE								
HIWFRA - FPS	Active		Deferred		Pensioner		Totals	
	Number	% of active membership	Number	% of deferred membership	Number	% of pensioner membership	Number	% of total membership
Registered	626	45.79%	297	25.52%	334	25.30%	1,257	32.64%
Not registered	741	54.21%	867	74.48%	986	74.70%	2,594	67.36%
<b>Total</b>	<b>1,367</b>	<b>100.00%</b>	<b>1,164</b>	<b>100.00%</b>	<b>1,320</b>	<b>100.00%</b>	<b>3,851</b>	<b>100.00%</b>

For comparison and interest, status of registrations for HIWFRA civilians, Hampshire Constabulary and Hampshire County Council are included below:

- a) table for HIWFRA Local Government Pension Scheme members (LGPS) registrations:

HIWFRA - LGPS	Active		Deferred		Pensioner		Totals	
	Number	% of active membership	Number	% of deferred membership	Number	% of pensioner membership	Number	% of total membership
Registered	176	46.81%	94	31.97%	70	29.05%	340	37.32%
Not registered	200	53.19%	200	68.03%	171	70.95%	571	62.68%
<b>Total</b>	<b>376</b>	<b>100.00%</b>	<b>294</b>	<b>100.00%</b>	<b>241</b>	<b>100.00%</b>	<b>911</b>	<b>100.00%</b>

- b) tables for Hampshire Constabulary, Police Officers in the Police Pension Schemes and Police staff in the LGPS:

HAMPSHIRE CONSTABULARY								
HC - PPS	Active		Deferred		Pensioner		Totals	
	Number	% of active membership	Number	% of deferred membership	Number	% of pensioner membership	Number	% of total membership
Registered	2,181	71.65%	344	33.50%	1,321	29.01%	3,846	44.59%
Not registered	863	28.35%	683	66.50%	3,233	70.99%	4,778	55.41%
<b>Total</b>	<b>3,044</b>	<b>100.00%</b>	<b>1,027</b>	<b>100.00%</b>	<b>4,554</b>	<b>100.00%</b>	<b>8,624</b>	<b>100.00%</b>
HC - LGPS	Active		Deferred		Pensioner		Totals	
	Number	% of active membership	Number	% of deferred membership	Number	% of pensioner membership	Number	% of total membership
Registered	1,513	56.33%	650	28.04%	446	28.21%	2,609	39.62%
Not registered	1,173	43.67%	1,668	71.96%	1,135	71.79%	3,976	60.38%
<b>Total</b>	<b>2,686</b>	<b>100.00%</b>	<b>2,318</b>	<b>100.00%</b>	<b>1,581</b>	<b>100.00%</b>	<b>6,585</b>	<b>100.00%</b>

c) table for Hampshire County Council, LGPS members

HAMSPHIRE COUNTY COUNCIL								
HCC - LGPS	Active		Deferred		Pensioner		Totals	
	Number	% of active membership	Number	% of deferred membership	Number	% of pensioner membership	Number	% of total membership
Registered	8,523	31.29%	8,700	22.15%	5,073	21.86%	22,296	24.85%
Not registered	18,716	68.71%	30,578	77.85%	18,134	78.14%	67,427	75.15%
<b>Total</b>	<b>27,239</b>	<b>100.00%</b>	<b>39,278</b>	<b>100.00%</b>	<b>23,207</b>	<b>100.00%</b>	<b>89,723</b>	<b>100.00%</b>

### COMBINED FIRE AUTHORITY

14. There are two issues which are yet to be completely resolved following the creation of the Combined Fire Authority and the transfer of all pension data to Hampshire.

### HISTORICAL CONTRIBUTION RATES

15. This issue affects all IOW on-call / retained firefighters that were employed and in a pension scheme between 1 April 2012 and 31 March 2021. Contribution rate bandings were determined by actual pay, rather than by the whole time equivalent reference pay based upon grade.
16. Discussions have been ongoing about this issue since it was discovered as part of the transfer of data in April 2021. On 19 August 2021 we provided the Isle of Wight Council (IWC) with a list of all the details that would be required to determine the correct contribution rate, and to calculate the relevant amount of employee's pension contributions that have been underpaid by each of these members.
17. At this stage we do not know how many members are affected or what the overall amount of the underpaid contributions are, and we are waiting for IWC to provide the necessary information.

### MODIFIED FIRE PENSION SCHEME

18. As part of the CFA, pension records and finance details have been transferred to Hampshire and to ensure that these are correct a full audit has been performed.
19. The IOW had 50 members that elected to join the 2006 Modified Fire Pension Scheme and for each of them the following checks have been made:

- (a) Re-calculated the original calculation to determine if the initial calculation of the arrears to be paid and the service credit to be awarded was correct
  - (b) For those that paid by monthly instalments, the amounts received by IOW from each member between February 2015 and March 2021 have been checked to determine if the correct amount has been paid
  - (c) For those that joined the scheme as pensioner members, the calculation of the pension benefits has been checked to determine if the correct benefits have been paid/are being paid to the member
  - (d) For those that retired after starting monthly instalments, the calculation of the pension benefits along with the calculation of the settlement sum of outstanding contributions to be paid has been checked to determine if the correct benefits have been paid/are being paid to the member
  - (e) A review of the pension records held by Hampshire Pension Services along with any paperwork they have has also been checked to determine if the records are correct.
20. There was a query raised about the amount of interest that had been paid on lump sum payments made to purchase the arrears of service in the 2006 Modified Fire Pension Scheme. The audit has confirmed that this in fact has not been an issue and that interest had been applied correctly.
21. The audit did reveal that out of the 50 cases, 39 of them had errors. Given the number of errors, the varying values and the length of time that has elapsed since some of the decisions, it was agreed with the Chief Financial Officer that a set of principles should be developed against which to assess the individual cases. These are outlined below.
- a) Where an underpayment by the member is less than £250 then this is considered to be negligible and will not be recovered.
  - b) Where an underpayment by the member has occurred more than 6 years ago, then this is past the limit for recovery and will not be recovered.
  - c) Where a member has been underpaying their monthly instalments, then the Direct Debit payments will be amended to the correct amount from the next available payment.
  - d) Where a member has had their pension underpaid these will be corrected from the next available pensions payroll run. Where both a negligible underpayment and a material overpayment has been made to the member then the pension will not be corrected back to

the date of retirement unless the member requests it; in such cases, then member will then be required to pay the material overpayment.

- e) Where a pension or lump sum paid has resulted in a material underpayment being paid to the member this will be corrected back to the date of retirement and all arrears will be paid.
- f) Where an error was made in the calculation of the lump sum due at retirement by the IOW, payment will be made to correct the lump sum. This will be considered an authorised payment and no tax charges will be due. Interest will not be added to the payment as this is not prescribed within the Fire Pension Schemes.

22. Out of the 50 members the following table shows the numbers that fall into each category.

<b>Description</b>	<b>Number of cases</b>	<b>Average amount</b>
Total number of 2006 Modified IOW members	50	N/A
Number of cases where there are no errors	11	N/A
Number of cases with errors	39	N/A
Pension record to be corrected, but only minor details, or pension is currently a deferred pension	5	N/A
Number of negligible underpaid amounts	5	£12
Number outside of 6 year limit for recovery	9	£270
Correct monthly DD amounts from next payment	8	£1
- Negligible underpaid amounts from monthly payments		£76
Correct annual pension from next available payroll run	6	£19 per year
Recovery of overpaid amounts	3	£2,615
Payment of underpaid amounts	3	£2,402

23. We will be writing to those affected members and correcting the payments where applicable, letters will be sent after consultation with the unions.

24. For the 6 cases that have material differences, the underpayments will be made to the member and where there is an overpayment that needs to be recovered, the member will be advised of this and provided with some options about how to repay.

### RISK REVIEW

25. 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

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

### McCLOUD / SARGEANT AGE DISCRIMINATION REMEDY

27. On 19 July 2021, HM Treasury (HMT) introduced the Public Service Pensions & Judicial Offices Bill (PSP&JO) to the House of Lords. The Bill sets out in law how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members (i.e. remedy).
28. This is the primary legislation which closes final salary schemes for accrual past 31 March 2022 and moves all remaining Fire Pension Scheme members into 2015 Fire Pension Scheme, while ensuring that existing transitional protections such as the final salary link and double accrual are retained.

### McCLOUD REMEDY WORKING GROUP

29. The McCloud Remedy Working Group is made up of cross departmental and cross organisational representatives has been meeting up monthly to track progress and ensure consistency across the Shared Services Partnership.
30. The group is now working on drafting a letter to go to the current Protected members of the Police and Fire Pension Schemes to advise them of the Scheme changes from 1 April 2022.
31. The communication plan for this is currently being developed but it is hoped that the letters to this small group of active members will be issued by early February 2022. Engagement and advance notice of this will be discussed with senior management to help facilitate queries.
32. With assistance from HIWFA, it is also proposed that the Employer Pension Manager prepares a video to try and get key messages out there to all staff.

### IMMEDIATE DETRIMENT

33. Immediate Detriment cases for retiring Fire Pension Scheme members are continuing; between July and October, five more members have received their options for retirement. There have been no new requests for Immediate Detriment since the last Board meeting.

34. Due to the timescales for implementation of the Deferred Choice Underpin, having the relevant legislation in place and the installation of the software necessary to carry out remedy calculations; Immediate Detriment options will need to continue to be provided to applicable cases for members retiring up to 1 October 2023.
35. It is therefore proposed that another communication message is put out via Routine Notice or similar to try and identify any likely retirements up to this date. This will enable them to be assessed ahead of time to see if their pension is clear and straightforward and whether Immediate Detriment can be offered to them. The Board are asked for their views on another message being put out and the best method(s) of communicating this.

### PROJECT AND COSTINGS

36. The McCloud project in Hampshire Pension Services is currently on track and on budget. The total cost for Police and Fire work on McCloud for quarter 1 of 2021/22 is £10,905.73.
37. The costs have been split according to a percentage of the active membership and a further adjustment is made due to the complexity of Fire Pension Schemes, such as temporary promotions, contribution holidays, CPD payments and pensionable pay.
38. For quarter 1, HIWFRA is attributed with 35% of the police and fire costs. The table below shows the estimated and actual costs for quarter 1.

Fire Pension Schemes - Hampshire and Isle of Wight Fire and Rescue Authority								
2021/22	Estimated Costs			Actual Costs				
Quarter	Resourcing cost for Police and Fire Schemes	% share of costs for HIWFRA	Costs for HIWFRA	Resourcing cost for Police and Fire Schemes	% share of costs for HIWFRA	Costs for HIWFRA	Difference in actual from estimate	% increase or decrease from estimate
Q1	£ 10,184.97	35.00%	£ 3,564.74	£ 10,905.73	35.00%	£ 3,817.00	£ 252.26	7.08%
Q2	£ 13,707.90	35.00%	£ 4,797.77					
Q3	£ 21,931.02	35.00%	£ 7,675.86					
Q4								
<b>TOTALS</b>	<b>£ 45,823.89</b>		<b>£ 16,038.36</b>	<b>£ 10,905.73</b>		<b>£ 3,817.00</b>	<b>£ 252.26</b>	<b>7.08%</b>

39. The table also shows the estimated costs for quarters 2 and 3 which indicates that the costs are likely to increase over the next few quarters as the workload increases for these schemes.



RECOMMENDATION

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

APPENDICES ATTACHED

42. APPENDIX A – Risk Register

Contact:

Claire Neale, Employer Pension Manager, [claire.neale@hants.gov.uk](mailto:claire.neale@hants.gov.uk),  
0370 779 2790