

## NOTICE OF MEETING

<i>Meeting</i>	<b>HFRA Hampshire Firefighters' Pension Board</b>	<i>Clerk to the Hampshire Fire and Rescue Authority</i> <b>John Coughlan CBE</b>
<i>Date and Time</i>	<b>Wednesday, 9th October, 2019 10.00 am</b>	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	<b>Meeting Room C, Fire and Police HQ, Leigh Road, Eastleigh</b>	
<i>Enquiries to</i>	<b><u><a href="mailto:members.services@hants.gov.uk">members.services@hants.gov.uk</a></u></b>	

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## Agenda

### 1 **APOLOGIES FOR ABSENCE**

To receive any apologies for absence received.

### 2 **DECLARATIONS OF INTEREST**

To enable Members to disclose to the meeting any disclosable pecuniary interest they may have in any matter on the agenda for the meeting, where that interest is not already entered in the Authority's register of interests, and any other pecuniary or non-pecuniary interests in any such matter that Members may wish to disclose.

### 3 **MINUTES OF PREVIOUS MEETING** (Pages 3 - 8)

To confirm the minutes of the previous meeting.

4     **DEPUTATIONS**

Pursuant to Standing Order 19, to receive any deputations to this meeting

5     **CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

6     **SCHEME ADVISORY BOARD - VERBAL UPDATE**

To receive a verbal update on the Scheme Advisory Board.

7     **LEGISLATION AND LOCAL GOVERNMENT ASSOCIATION (LGA) UPDATE REPORT** (Pages 9 - 180)

To receive a report providing an update on Legislation and the Local Government Association.

8     **FIRE PENSION BOARD STATUS REPORT** (Pages 181 - 188)

To receive a report providing an update on the development of key issues.

**ABOUT THIS AGENDA:**

This agenda is available on the Hampshire Fire and Rescue Service website ([www.hantsfire.gov.uk](http://www.hantsfire.gov.uk)) and can be provided, on request, in alternative versions (such as large print, Braille or audio) and in alternative languages.

**ABOUT THIS MEETING**

The press and public are welcome to attend the public sessions of the meeting. If you have any particular requirements, for example if you require wheelchair access, please contact [members.services@hants.gov.uk](mailto:members.services@hants.gov.uk) for assistance.

# Agenda Item 3

AT A MEETING of the HFRA Hampshire Firefighters' Pension Board held at the Fire and Police Headquarters, Eastleigh on Tuesday, 9 July, 2019

Chairman:

\* Stew Adamson

- \* Malcolm Eastwood
- \* Richard North
- \* Councillor Roger Price
- \* Dan Tasker

\*Present

**Also present with the agreement of the Chairman:**

Jo Thistlewood, Technical Finance Manager, Isle of Wight Council

**64. APOLOGIES FOR ABSENCE**

All Members were present and no apologies were noted.

**65. ELECTION OF CHAIRMAN**

The Clerk called for nominations for a Chairman, noting the requirements of the Firefighters' Pension Board Terms of Reference. Stew Adamson was nominated, seconded and in the absence of any further nominations duly appointed Chairman of the Pension Board until the first meeting of the Board following the Annual meeting of the Fire Authority in 2020.

**66. ELECTION OF VICE-CHAIRMAN**

The Clerk called for nominations for a Vice-Chairman, noting the requirements of the Firefighters' Pension Board Terms of Reference. Richard North was nominated, seconded and in the absence of any further nominations duly appointed Vice-Chairman of the Pension Board until the first meeting of the Board following the Annual meeting of the Fire Authority in 2020.

**67. DECLARATIONS OF INTEREST**

Members were mindful of their duty to disclose at the meeting any disclosable pecuniary interest they had in any matter on the agenda for the meeting, where that interest was not already entered in the Authority's register of interests, and their ability to disclose any other personal interests in any such matter that they might have wished to disclose.

There were no declarations of interest received for the meeting.

68. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were reviewed and agreed.

69. **DEPUTATIONS**

There were no deputations on this occasion.

70. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed Dan Tasker to his first meeting of the Board.

71. **SCHEME ADVISORY BOARD VERBAL UPDATE**

The Board received a verbal update from Malcolm Eastwood and Councillor Price on the Firefighters' Pensions Scheme Advisory Board (SAB). The Board heard that in relation to the McCloud judgement, there was no determination yet and further guidance was being awaited. Members heard that there had been discussions about standardising the member self service function across the Service. Topics such as the Government spending review and dashboard initiative were also discussed as well as the work of the three SAB sub-groups and the general political instability nationally.

Members noted that a verbal update on the Scheme Advisory Board would be a standing agenda item for future meetings.

RESOLVED:

That the Firefighters' Pension Board noted the update on the Scheme Advisory Board.

72. **FIRE PENSION BOARD ANNUAL REPORT (2018/19) AND PROPOSED CHANGES TO THE PENSION BOARD TERMS OF REFERENCE**

Members received a report of the Chief Finance Officer setting out the Fire Pension Board Annual Report (2018/19) and Proposed Changes to the Pension Board Terms of Reference (Item 9 in the Minute Book) which would be submitted to the next meeting of the HFRA Standards and Governance Committee.

Officers took Board Members through the report and highlighted the breath of work which had been undertaken during 2018/19. Key issues during the year were highlighted to Members which included injury pensions review, and injury pensions and department of work and pensions. It was hoped that the review processes which would look into injury pensions would be implemented in a few months time. Officers highlighted that in relation to temporary promotions, the Board had endorsed the decision to keep these as pensionable payments.

In relation to communications and meetings during 2018/19, it was noted that there had been considerable work undertaken which included: changes to the

fire intranet homepage portal, regular employer pension group meetings and presentations on fire pensions. Members of the Board highlighted that they had received excellent feedback on the presentations and these had been very well received. Paragraphs 46-52 detailed the situation in relation to the annual scheme returns which had been completed by the pension regulator deadline of 6 November 2018. It was heard that the accuracy of data held had also been measured by Hampshire pension services and this had presented at 95% or above for each data type and scheme. A query was raised as to how many firefighters were not in the pension scheme and it was heard that this was presently at 19%, and a large number of these were retained and have employment.

Other key issues during 2018/19 were highlighted which included benchmarking, annual benefit statements and voluntary scheme pays. It was noted that the deadline for issuing annual benefit statements by the 31 August 2018 had been met. The position in relation to voluntary scheme pays was brought to Member's attention and it was noted that the Board had supported the recommendation to allow voluntary scheme pays to affected members, and the HFRA Standards and Governance Committee would be asked to approve this recommendation. Officers drew attention to other issues which had been brought to Board meetings during 2018/19 and were set out in the report, these included: amendment legislation, employer contributions and consultations. In relation to the scape discount rate, it was heard that there had been a change to this and this would result in a significant increase to employer contributions from 1 April 2019.

Proposed changes to the Pension Board's Terms of Reference were reviewed and these would be put forward for approval at the next HFRA Standards and Governance Committee meeting. Members also discussed the work plan and thanked the Employer Pension Manager for her continued hard work throughout the year.

RESOLVED:

That the Annual Report is agreed for submission to HFRA Standards and Governance Committee.

### **73. HAMPSHIRE FIRE PENSIONS ADMINISTRATION REPORT 2018/19**

Members received a report from Pensions Services, providing the Board with an update on pensions administration (Item 10 in the Minute Book).

Members of the Board were taken through the report and it was heard that active benefit statements would be produced once the annual returns were produced which would be by the 31 August.

In relation to the Walker Case, it was heard that there was confidence that no cases required further examination or recalculation.

Members heard that the Pensions Services team had been awarded the Customer Service Excellence accreditation earlier in the year in seven different

areas, and Members congratulated this achievement. In answer to a Member query, Officers would find out how many areas there were where Customer Service Excellence accreditation could be achieved.

RESOLVED:

That the Firefighters' Pensions Board noted the contents of the report and recognised the achievements of the Pensions Services team.

**74. LEGISLATION AND LOCAL GOVERNMENT ASSOCIATION (LGA) UPDATE REPORT**

Members received an update report of the Chief Finance Officer on Legislation and Local Government Association (Item 11 in the Minute Book).

The report was introduced and officers explained that in relation to the exit cap consultation, this wouldn't affect Fire Pension Schemes, but attention was drawn to paragraphs 9-14 of page 40 of the agenda pack which detailed the two specific payments which could be considered under the exit cap. It was noted that there were no cases known, but if any cases should occur then this would result in a reduced pension.

The position in relation to pensionable pay guidance was set out. It was heard that an HFRA project was currently underway to review pay and allowances, and the difficulties in defining pensionable pay was explained.

Members echoed their thanks to officers for their continued work in this area.

RESOLVED:

That the Firefighters' Pension Board noted the contents of the report.

**75. FIRE PENSION BOARD STATUS REPORT**

Members of the Board received a report of the Chief Finance Officer (Item 12 in the Minute Book) regarding ongoing issues.

The report was introduced and Officers led Board Members through the report highlighting the development of key issues. It was heard that in relation to communications, a presentation to new recruits had been delivered recently by the Employer Pension Manager, who had also attended a recent LGA Police and Fire Governance seminar and Ill Health and Injury Pension Workshop. Members heard that the fire pension schemes member portal had gone live on 1 April with 71 of 1,167 members registered as of 4 June 2019. The Board were asked for thoughts on how to increase registration numbers and further email communication and communication via the Fire Brigade union was discussed. There were concerns about the low registration numbers as members would now only be able to view their benefit statements online, and the Chairman would look into how best to publicise registration.

It was heard that the job vacancy for the vacant scheme member position on the Board had been re-advertised due to an unsuccessful recruitment exercise, and a new member would hopefully be in place soon.

Officers explained the situation in relation to the Combined Fire Authority and temporary promotions and it was heard that once the combination order had been agreed by Government then work would be undertaken to understand the impact of the decision for both authorities. The situation in relation to temporary promotions and different cohorts was explained, and it was noted that four members had so far retired in 2019/20, with the remaining members still in employment and could retire at any point. Members of the Board heard that if the maximum cost envelope was exceeded then approval would need to be sought from the Authority for additional funding.

RESOLVED:

That the Firefighters' Pension Board noted the contents of the report.

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Chairman,

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**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Purpose: Noted

Date **9 OCTOBER 2019**

Title **LEGISLATION AND LOCAL GOVERNMENT ASSOCIATION (LGA)  
UPDATE REPORT**

Report of Chief Finance Officer

## SUMMARY

1. This report, together with attachments, provides the framework for the agenda item.

## LEGAL UPDATES

2. There are three legal judgements which have been made and may well have an impact on Fire Pensions should legislation be amended.
3. Jane Marshall from Weightmans, legal adviser to the Fire SAB has provided an update on two of these which can be found in APPENDIX A

### LANGFORD v SECRETARY OF STATE FOR DEFENCE

4. The Court of Appeal has ruled that it was unlawful discrimination to deny survivor's benefits to the long term partner of a deceased member of the Armed Forces Pension Scheme on the basis that she was still married to another man.
5. The claimant had lived with her RAF partner for 15 years. When he died in service she was denied access to any survivor benefits under his pension scheme on the basis that she had not obtained a divorce from her former husband (although the couple had been estranged for 17 years).
6. The fact that she was still legally married to her former husband means that under current law, she would be entitled to a widows pension from any pension he may have, if they are still married at the point of his death.
7. Most public sector schemes, including Fire Pensions will pay pension to a co-habiting partner, of which part of the definition is that they must be free to marry if they choose and is not the spouse or civil partner of another person.

THE LORD CHANCELLOR & SECRETARY OF STATE FOR JUSTICE v  
MCCLLOUD & OTHERS

8. The Government has been refused permission to appeal to the Supreme Court against the Court of Appeal's findings. The Court of Appeal found that the transitional provisions in relation to the 2015 Firefighters Pension Scheme, which intended to protect older firefighters from the impact of compulsory pension reforms, in fact discriminated against younger firefighters on the grounds of age.
9. This ruling also affected judges in the 2015 Judicial Pension Scheme; and HM Treasury have now confirmed in a written statement that remedy will need to be addressed across all public sector pension schemes. HMT estimate that this will add approx. £4bn per annum to the pension scheme liabilities from 2015. The HMT statement can be found in APPENDIX B.
10. Each public sector scheme is having its own case management hearing as remedy will probably vary according to each scheme. The Judges hearing is first on 7 October and the Fire hearing is last on 18 December.
11. Even after the case management hearing it is likely to be some time before it is known how benefits will be affected or be in a position to implement remedy. New legislation will need to be drafted, consulted on and laid before Parliament to enable remedy to take effect; and of course, the relevant software updates to UPM will need to be delivered by Civica.
12. The Court of Appeal's findings in both Langford and McCloud is likely to mean that some pension scheme re-design in the public sector may be necessary in the imminent future, bringing disruption and an increased administrative burden for administering authorities and pension scheme administrators.

O'BRIEN v MINISTRY OF JUSTICE

13. The Court of Justice of the European Union (CJEU) handed down a judgement on 7 November 2018 in a case which concerned discrimination against part-time judges in the calculation of pensions. The issue is whether periods of service as a part time judge prior to the coming into effect of Part Time Workers Directive should be taken into account in calculating the amount of pension to be paid upon retirement.
14. Mr O'Brien started his part-time work on 1 March 1978 and was in post until 31 March 2005, but his pension was only based on service from 7 April 2000, which was when the UK was required to transpose the Part Time Workers Directive into domestic law.
15. The CJEU concluded that part-time work undertaken before the deadline for transposing the Part Time Workers Directive on 7 April 2000 must be taken into account for the purposes of calculating a retirement pension.

16. The judgement will have a significant financial impact on the calculation of pensions for part-time judiciary as well as other part-time workers.
17. As far as Fire Pensions are concerned, this judgement could have an effect with regard to the 2006 Modified Fire Pension Scheme. This scheme allowed retained fire-fighters to backdate their entry of the pension scheme to 1 July 2000, the date that the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000 came into effect.
18. HFRA along with 6 other FRAs have provided data to the Home Office so that they can make an informed assessment of how this case could impact the 2006 Modified Fire Pension Scheme.
19. For HFRA, although we wrote to approx. 1,000 retained firefighters who were employed at some point between 1 July 2000 and 5 April 2006, only 170 elected to join the scheme. Depending on changes to legislation it's possible that we may have to revisit all potential affected members again.
20. We are expecting to see some legislation early next year with regard to this judgement, further information will be brought to the Board when it is available.

#### FPS BULLETINS

21. LGA issue a bulletin at the end of each month; there have been three bulletins issued since the last Fire Pension Board report. The bulletins are emailed out to a variety of contacts but can also be accessed via the [www.fpsregs.org](http://www.fpsregs.org) website.
22. Bulletins 21, 22 and 23 can be found in APPENDICES C, D & E. There is a lot of information contained within these bulletins; the key items are set out below

#### CONCLUSION OF FACTOR REVIEWS (BULLETIN 21)

23. GAD have now completed their review of all factors used in the Fire Pension Scheme. All factors have now been issued and Hampshire Pension Services are using all the new factors from the relevant effective date for their calculations.

#### SAB ADMIN & BENCHMARKING COMMITTEE VACANCY (BULLETIN 23)

24. There is a vacancy on the Administration and Benchmarking committee for an FRA Local Pension Board representative.

25. The main objectives of the committee are to provide guidance to the SAB to understand the value and cost of administration and consider how administrators can best be supported by identifying best practice.
26. The committee are currently involved in considering the recommendations made by Aon in the administration and benchmarking review and how these can be progressed.
27. The required commitment is attendance at three to four meetings per year, generally held in London. If any Board members are interested, please email [clair.alcock@local.gov.uk](mailto:clair.alcock@local.gov.uk)

#### NEW FACTSHEET (BULLETIN 23)

28. A New factsheet on compensatory ill health pensions paid to retained fire-fighters has been issued.
29. This factsheet has been prepared to give guidance to FRAs on when entitlement to a compensatory ill health pension payable under The Firefighters Compensation Scheme Order 2006 arises; specifically, for a retained firefighter who was employed prior to 6 April 2006 and where the injury occurred before 1 April 2014.
30. It's important to note that whilst this sounds very complicated, and to be fair it is, it does only affect a very small number of people as fortunately HFRS does not have many cases of injury pensions, let alone those for retained firefighters.
31. Prior to 6 April 2006, retained firefighters were not able to join the 1992 Fire Pension Scheme and they were therefore given compensatory provisions under the compensation scheme rules.
32. From 6 April 2006, retained firefighters could join the 2006 Fire Pension Scheme. This was then amended in 2014, when the 2006 Modified Fire Pension Scheme came into effect, allowing eligible retained firefighters to join from 1 July 2000.
33. The injury pension benefits payable to a retained fire-fighter from the 2006 Firefighters Compensation Scheme therefore depend on whether the member joined the scheme and if so which one, the dates of their employment and when the injury occurred.
34. The factsheet can be found in APPENDIX F.

#### AON ADMIN & BENCHMARKING REVIEW (BULLETIN 23)

35. In 2018 the SAB commissioned an admin and benchmarking review with the aim of establishing how much the scheme costs to run and how effective administration is.
36. The SAB, supported by its three committees, is now considering the recommendations made and will issue a report on the focusing on the actions needed to progress the work.
37. This report was the first attempt to analyse how much the scheme costs to run; some FRAs were not able to provide all the information required. This does mean that the costs cannot be taken to be completely accurate at this stage. It is likely that this exercise will be repeated on an annual basis to build up accuracy and reliable information.
38. The surveys completed by HFRS can be found in APPENDICES G & H and the final report from AON can be found in APPENDIX I.

#### RECOMMENDATION

39. The Board are asked to note the contents of this report.

#### APPENDICES ATTACHED

40. APPENDIX A – Weightmans legal update
41. APPENDIX B – HM Treasury statement
42. APPENDIX C - FPS Bulletin 21 – June 2019
43. APPENDIX D - FPS Bulletin 22 – July 2019
44. APPENDIX E – FPS Bulletin 23 – August 2019
45. APPENDIX F – New factsheet compensatory ill health pensions
46. APPENDIX G – HFRS Administration survey answers
47. APPENDIX H – HFRS Employer survey answers
48. APPENDIX I – AON benchmarking report

Contact:

Claire Neale, Employer Pension Manager, [claire.neale@hants.gov.uk](mailto:claire.neale@hants.gov.uk),  
01962 845481

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# Legal Update

## Public sector pensions – two key developments

### Executive summary

This month has seen two key developments that are likely to have a wide-reaching ongoing impact on pensions across the public sector.

Firstly, in a landmark Judgment, the Court of Appeal held in *Langford v Secretary of State for Defence* that it was unlawful discrimination to deny survivor's benefits to the long term partner of a deceased member of the Armed Forces Pension Scheme (AFPS), on the basis that she was still married to another man.

Separately, in the long running case of *Lord Chancellor and Secretary of State for Justice v McCloud and others* the Government has been refused permission to appeal to the Supreme Court, against the Court of Appeal's finding that transitional provisions in relation to both the **2015 Judicial Pension Scheme** and the **2015 Firefighters' Pension Scheme**, intended to protect older judges and firefighters from the impact of compulsory pension reforms, in fact discriminated against younger judges and firefighters on the grounds of age.

This means that the earlier decision of the Court of Appeal will stand, and the Government will now need to think carefully about the potential impact of this judgment on public service pensions and the best way forward.

### Langford – What happened?

The Claimant in this case had lived with her long term partner, a serving RAF officer, for more than 15 years in a relationship "akin to marriage". However, when he died in service, she was denied access to survivor's benefits under his pension scheme, on the basis that she had not obtained a divorce from her former husband (although the couple had been estranged for 17 years).

The rationale for this was that, while the AFPS allows dependants to claim survivor's benefits even if they are not married to the deceased scheme member, this is only the case if they are in an "exclusive" relationship. A similar rule is included in many other public service pension schemes. Dismissing her claim, back in 2015, the High Court held that the claimant's subsisting marriage to her former partner meant that she was not in an "exclusive" relationship with her current partner (the AFPS scheme member). The High Court held that, if the surviving partner of a service member was still married to somebody else, they could "in the majority of cases" seek financial support from their estranged spouse.

However, the Court of Appeal reversed this decision, holding that this broad exclusionary rule contravened the Claimant's human rights. The Court accepted that the Claimant did not receive and had not claimed any financial support from her former partner and that she and the deceased scheme member had publically declared an intention to marry. The claimant had demonstrated that she and her deceased partner had been "in a substantial, exclusive and financially dependant relationship in practice".

The Court of Appeal held that one of the legitimate aims of the scheme was to make sure that dependants were treated equally, whether they were married to scheme members or not. Against, that backdrop, it was not appropriate to create “different classes” of dependants who were not married to scheme members, by excluding those who had not yet formally dissolved previous relationships.

### **McCloud – The end of the road for the Government’s appeal**

As we have previously reported, the Court of Appeal separately held in December 2018 that transitional provisions in relation to the judges’ and firefighters’ pension schemes were directly discriminatory on the grounds of age. Both groups were moved onto new pension schemes in 2015, subject to transitional provisions intended by the Government to cushion the impact on older scheme members (who were closer to retirement and therefore arguably less able to re-organise their affairs). Broadly speaking, members who were within 10 years of retirement were permitted to remain members of their old, more generous, schemes with “tapered” protection being put in place for members between 10–14 years from normal retirement age. Again, similar provisions apply across all main public service pension schemes.

The Court of Appeal (upholding previous decisions of the employment tribunal and EAT) held that the provisions were discriminatory. The Government had failed to show that protecting older scheme members was a “legitimate aim”, relying on “nothing more than assertions and generalisations” and therefore the discriminatory effect of the transitional provisions could not be justified.

The Government sought permission to pursue a further appeal against this decision to the Supreme Court, which is the highest Court in the UK. However, permission has now been refused, meaning that there is no further avenue for the Government to challenge the finding of discrimination.

### **What does this mean for me?**

Both of the decisions above will inevitably mean increased costs for public service pension schemes, particularly in relation to the *McCloud* judgement.

The apparent extension of pension scheme benefits in *Langford* to surviving partners who remain married to former spouses at the date of death may result in increased survivor’s benefits being paid out across the main public service pension schemes, as most contain similar rules in relation to cohabiting couples. We will need to wait and see whether changes to the public service pension scheme regulations are proposed by the Government as a result of this case.

Interestingly though, the Court of Appeal’s decision does not completely close down the possibility of a similarly broad exclusionary rule being found to be lawful in another case. The Government argued that allowing surviving cohabiting partners in this position to claim pension benefits raised the risk of “double recovery”, if they were also entitled to benefits under a spouse’s pension (i.e. if their former spouse who they remained married to was also a member of the same pension scheme), which would result in increased costs and administrative inconvenience. However, the Government adduced limited evidence to back up these statements, causing speculation that a more robustly defended case might in future lead to a different result.

The Supreme Court’s decision in *McCloud* is unsurprising, given that the Court of Appeal had also previously refused to grant the Government permission to appeal. However, now we know that the case will not progress any further, the legal position is much more certain.

In light of this, Elizabeth Truss (former Chief Secretary to the Treasury) issued a written statement to confirm that, as similar “transitional protection” was offered to members of all the main public service pension schemes, the difference in treatment will need to be remedied across the board. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. Initial estimates suggest that remedying this discrimination, in the *McCloud* case and more broadly, will add around £4bn per annum to scheme liabilities.

The *McCloud* case is also a reminder that, in any case where pension scheme rules appear to be age-discriminatory, employers and pension trustees must be prepared to defend these rules with reference to a cogent “legitimate aim” supported by focussed and detailed evidence.

The Court of Appeal’s findings in both *Langford* and *McCloud* is likely to mean that some pension scheme re-design in the public sector may be necessary in the imminent future, bringing disruption and an increased administrative burden for administering authorities and pension scheme administrators.

If you would like to know more about our legal update or have any questions, please contact Jane Marshall (Partner) on 0161 214 0508, or [jane.marshall@weightmans.com](mailto:jane.marshall@weightmans.com).

**To keep up to date with Brexit developments, please visit our [Brexit Hub](#) and subscribe to our updates.**

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**Public Service Pensions:Written statement - HCWS1725****WS****Treasury**

Made on: 15 July 2019

Made by: **Elizabeth Truss** (The Chief Secretary to the Treasury) Commons**HCWS1725****Public Service Pensions**

The government is committed to providing public service pensions that are fair for public sector workers and for taxpayers. This is why we brought forward reforms in 2015, based on the recommendations of the Hutton report, to ensure that these pensions are sustainable in the future.

The courts have considered cases regarding the implementation of the 2015 reforms. On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. The government respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied.

The ruling relates to the 'transitional protection' offered to some members when the reformed schemes were introduced. In order to ensure people close to retirement age were treated fairly, the government agreed to 'transitional protection', which broadly permitted those members who were closest to retirement at the time new pension schemes were introduced to remain members of their respective old schemes. The court has found that those too far away from retirement age to qualify for 'transitional protection' have been unfairly discriminated against. As 'transitional protection' was offered to members of all the main public service pension schemes, the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. Continuing to resist the full implications of the judgment in Court would only add to the uncertainty experienced by members.

The matter will be remitted to the Employment Tribunal in respect of the litigants in the firefighters and judicial pension schemes. It will be for the Tribunal to determine a remedy. Alongside this process, government will be engaging with employer and member representatives, as well as the devolved administrations, to help inform our proposals to the Tribunal and in respect of the other public service pension schemes.

Initial estimates suggest remedying the discrimination will add around £4bn per annum to scheme liabilities from 2015.

The reasons for the 2015 reforms remain: that public service pensions are a significant cost for the taxpayer, now and in the future. The judgment does not alter the government's commitment to ensuring that the cost of public service pensions are affordable for taxpayers and sustainable for the long term.

This statement has also been made in the House of Lords: **HLWS1687**



## FPS Bulletin 21 – June 2019

Welcome to issue 21 of the Firefighters' Pensions Schemes bulletin.

If you are looking for information on a certain topic, issue and content indexes are held on 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](#).

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### [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](#).

<a href="#">CLASS annual conference</a> : Manchester Holiday Inn	3-4 July 2019
Midlands regional FPOG	9 July 2019
<a href="#">Pensionable pay workshop</a>	18 July 2019
South East regional group	26 July 2019
LPB effectiveness committee	7 August 2019
Administration & Benchmarking/ Cost-effectiveness committee	15 August 2019
Eastern regional group	10 September 2019
Firefighter Pensions Technical Community	24 September 2019
Firefighters' Pensions AGM	24-25 September 2019
North East regional group	2 October 2019
SAB	3 October 2019
<a href="#">Fire Finance Network conference</a> : Arden - Warwick Conferences	9-10 October 2019
Pensions tax seminar	12 November 2019
SAB	12 December 2019

## FPS

### FPS 2015 transitional protections challenge update

As detailed in [FPS Bulletin 20 – May 2019](#), the outcome of the Government's application for permission to appeal to the Supreme Court was expected in July. This decision has been made earlier than expected and on 27 June 2019 the Supreme Court has denied the Government's request for an appeal in the transitional protections case in respect of age discrimination and pension protection.

We are aware that members may have a number of questions around the on-going legal challenge to the transitional provisions of FPS 2015. While we have covered this in-depth for FRAs in previous bulletins<sup>1</sup>, we are preparing a briefing note covering the full background to the case and each stage of the challenge, which can be shared with members. The note will be published as soon as possible.

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<sup>1</sup> <http://www.fpsboard.org/images/PDF/Bulletin15/Bulletin15.pdf>

**Until the remedy has been determined by the employment tribunal and any regulations changed as a result, we cannot speculate how future benefits may change. Therefore any retirement projections, Annual Benefit Statements as at 31 March 2019, or pensions advice must be based on the regulations as they currently stand.**

### [Scheme Advisory Board Levy](#)

In 2014, LGA contacted FRAs about entering into a shared agreement to fund a technical adviser post in order to support FRAs with their understanding and management of the Firefighters' Pension Schemes. This post is currently held by Clair Alcock, and was funded by a voluntary subscription of £2 per firefighter, which each FRA signed up for.

Under the terms of the 2014 regulations 4H(1) the costs of the new governance arrangements are to be met by scheme employers under a levy set by the Scheme Advisory Board (SAB) and approved by the Secretary of State. This budget was first set in 2016 and included provision of a secondary post to provide secretarial support for the scheme advisory board. The then Fire minister agreed that the technical adviser subscription of £2 per firefighter should be brought within the levy.

**I can advise that the SAB levy has now been approved by the Fire minister, and the total levy for the 2019/2020 year will be £6.67 per firefighter**, which is calculated at £4.50 for the SAB and £2.17 for employers. A letter has been sent out to Chief Fire Officers advising them of this.

### [Annual Benefit Statements \(ABS\)](#)

We are pleased to issue the final Annual Benefit Statement and explanatory notes template for 2019. Please note that there have been no amendments for this year. The statement and supporting documents are available as Appendices [1 \[Word version\]](#) and [2 \[PDF version\]](#). A tracked version of the statement is available on request.

These and other resources relating to [Annual Benefit Statements](#) are available in the member area of the FPS Regulations and Guidance site. Please email [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk) if you do not have a relevant log-in.

#### **Using the statement**

We appreciate that different administrators may wish to use different formats, so do not expect everyone to issue in this format, however, we hope that an approved version will help to achieve some consistency in the statements and the explanations of awards to Firefighters.

The text marked in red should be considered by each authority as to whether the statement applies, or whether they wish to add an instruction on how to contact them. It is particularly important to note how you have treated partnership status at the date of the statement and whether you have assumed married or civil partnered, or used the partnership status on the records as this may affect the death benefits quoted in the statement. Please also remember that how the survivor's pension is calculated will depend on which pension scheme the member is in at the date of death, and whether they die in service or after retirement, see annex F. **You may also wish to make reference to the 2019 amendments to same-sex partners' benefits under SI 2019/ 328<sup>2</sup>.**

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<sup>2</sup> <http://fpsregs.org/images/admin/SI2019-378disclosure.docx>

The document was edited by Plain English in 2018 and awarded a [crystal mark](#). The crystal mark can only be used by those wishing to use the document in its entirety with no additional text changes other than those marked in red; adapting the formatting to put on the internet or booklet form is fine. Please see the [crystal mark conditions of use](#). If you wish to consider a crystal mark for your own adapted document, please email [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk) - any costs associated with this would have to be borne by the individual authority.

### **2015 scheme transition members – Estimates to age 60**

All members who qualify for taper-protection have a legal right to transfer to the 2015 scheme and will have benefits in section 5 estimated to Normal Pension Age (60), whether or not they have moved into the 2015 scheme at the statement date. Annex C clarifies the options for early withdrawal of the 2015 benefits for 1992 taper-protected or unprotected members

### **Important note regarding using the Crystal Mark**

Please note the conditions of use mean that you can only use the Crystal Mark on the approved document. Anyone wishing to adapt the standard notes template is free to do so, but **must not** use the Crystal Mark.

Guidance on [issuing Annual Benefit Statements](#) and a [checklist](#) can be found on the Pension Regulator's [website](#).

### **Revised Fire (England) factors: Non-Club Transfer-In**

Further to the letter issued by the Home Office on 31 October regarding the [review of scheme factors](#) due to the change to the SCAPE discount rate, GAD has provided the following replacement factor tables for FPS 2006 standard members [table reference x-216 to x-217].

#### **[Appendix 3: Non-Club Transfer-In \(“TV-in”\)](#)**

The suspension of any outstanding cases can be lifted and these factors can be used with immediate effect.

**We would be grateful if administrators could undertake some sample calculations using the new factors, which we can forward to GAD to ensure that they have been implemented in line with current guidance. Please send any examples to [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk).**

GAD has informed us that they will update the guidance and example calculations to reflect these revised factors at a later date. The updated tables and subsequent guidance will be made available at <http://fpsregs.org/index.php/gad-guidance> in due course.

**ACTION: Pension Board Chairs and Scheme Managers, please ensure you liaise with your pension manager to ensure that the factors are applied with immediate effect.**

### **Fire (England) conclusion of factor review**

In order to assist FRAs and administrators, GAD has provided the table of consolidated factors at [Appendix 4](#), which includes implementation dates for all changes.

GAD is currently updating factor guidance notes to include these revised factors and updated examples. This work is expected to be completed by the end of September 2019.

## Joint Local Pension Boards (LPBs)

Regular readers will be aware that discussions around joint LPBs have been ongoing for some time.

The scheme rules [4A, paragraphs 2 & 3] set out in what circumstances a joint LBP may be established if approval in writing is obtained from the Secretary of State:

*(2) Where the administration and management of this scheme is wholly or mainly shared by two or more scheme managers, those scheme managers may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.*

*(3) Approval under paragraph (2) may be given subject to such conditions as the Secretary of State thinks fit and may be withdrawn if any conditions are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.*

Following an expression of interest from Leicestershire, Nottinghamshire, and Derbyshire boards, and in order to make a recommendation to the Scheme Advisory Board (SAB), the Local Pension Board Effectiveness Committee (the “Committee”) considered at their meeting of 19 April 2018 [Item 7] how these rules should be interpreted to gain approval from the Secretary of State.

It was determined that in order to assist LPBs in making an application, guidance would be developed which set out criteria that LPBs have to meet, to evidence shared administration and management of the Firefighters’ Pension Schemes. This guidance has been drafted by the Board secretariat in conjunction with the Committee, and incorporates feedback from a meeting with the three LPBs in June 2018 which was attended by the secretariat, the chair of the SAB, and the Home Office. We are pleased to share the guidance at [Appendix 5](#).

The Committee’s view in setting out the criteria is that there should be a high bar on the evidence used to demonstrate joint management of the scheme to avoid concerns that poorly performing scheme managers or LPBs could use a joint board as a way of bypassing legislative requirements.

At the 2018 FPS AGM, Ian Howe of Leicestershire County Council gave a presentation on the work of the East Midlands FRAs in looking to form the first joint FPS local pension board [[slides 22-25](#)]. We are now able to confirm that the application has been submitted, and we await the outcome with interest.

## LPB draft terms of reference updated

Following recommendations in the Pensions Regulator Governance and Administration survey 2017 and our own SAB survey of local boards<sup>3</sup>, we have taken the opportunity to update the draft terms of reference for boards, particularly around frequency of meetings and length of term for members. Clean and tracked versions of the amended document are attached at [Appendix 6](#) [clean] and [Appendix 7](#) [tracked].

The documents can be downloaded and amended as required. Terms of reference for all FPS LPBs are available [here](#).

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<sup>3</sup> <http://www.fpsboard.org/images/PDF/Bulletin6/Appendix3.pdf>

## June 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 May.

## Other News and Updates

### GAD PSPS newsletter

The Government Actuary's Department has issued the [June edition](#) of its Public Service Pension Schemes newsletter. This is intended to be an informal note to provide regular updates on what is happening within the PSPS area of GAD and to highlight some current hot topics that schemes and other department contacts might be interested in.

### The Pensions Ombudsman (TPO) newsletter 6

TPO have published the sixth edition of their stakeholder newsletter which is attached to this bulletin as [Appendix 8](#).

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

## HMRC

### HMRC newsletters/bulletins

HMRC have published pension schemes newsletter 111 containing important updates and guidance on pension schemes. The following issues are covered:-

- [Pension schemes newsletter 111 – 26 June 2019](#): Relief at source | Master Trusts supervision | Managing Pension Schemes service | Guaranteed Minimum Pension (GMP) equalisation - HMRC working group | Telling HMRC about pension tax charges on the SA100 tax return | Appendix 1 - guidance on receiving your Notification of Residency Status Report

## Training and Events

### FPS training survey

We are still accepting responses to the following survey on our current and future training provision [https://www.surveymonkey.co.uk/r/FPS\\_training\\_survey](https://www.surveymonkey.co.uk/r/FPS_training_survey), particularly as we have held two national events in June.

The survey can also be accessed by scanning the QR code below.



The survey will close at the end of July, with an overview of the findings presented at this year's AGM in September.

### [LPB annual wrap-up training 2019 – event summary](#)

Twenty delegates from across the FPS governance community attended the popular annual LPB wrap-up training event held at 18 Smith Square on 18 June 2019.

In the session led by Claire Hey, attendees received a whistle-stop tour of the background to the Firefighters' Pension Schemes and funding, followed by an overview of the roles and responsibilities of those involved in governance – the Scheme Advisory Board (SAB), scheme manager, and Local Pension Boards (LPBs). Malcolm Eastwood, chair of the SAB, was also on hand to provide input on the current work of the Board.

We were joined in the afternoon by The Pensions Regulator, to provide the headline results from the Governance and Administration survey 2018 in relation to FPS. This summary provided an ideal basis for the following session, which considered next steps LPBs could take to become more effective and signposted [resources](#) available to assist boards. The event concluded with a look at current and future issues affecting the schemes.



The full presentation slide deck from the event is available [here](#).

The content of the course will be reviewed on an annual basis and we plan to continue to offer wrap-up training yearly, for new members to boards or those requiring a refresher session.

If you wish to enquire about full board training at your own venue, please contact the team at [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk). Each board is entitled to a free training session under the Scheme Advisory Board levy. Examples of previous sessions are held [here](#).

### Ill-health and injury workshop – event summary

Over 90 delegates attended the Firefighters' and Police pensions ill-health and injury workshop at 18 Smith Square on 19 June 2019. We were delighted to welcome so many colleagues from the sector to the event, to examine the common issues found when running an ill-health process and discuss what can be improved to help best practice.

The morning session was opened by the LGA's Clair Alcock, who gave an overview of the structure and benefits of ill-health and injury awards in the Firefighters' and Police schemes. This was followed by an in-depth look at the legislation governing both schemes from Jane Marshall, partner at Weightmans LLP and legal adviser to the Fire Scheme Advisory Board. Jane also took the audience through the appeals process and relevant case law, highlighting common issues than can arise in the process and how to avoid them.



Continuing the theme of sharing best practice, Claire Johnson from West Yorkshire Fire & Rescue Service took to the stage to discuss the ill-health retirement process in place at WYFRS, from employee awareness to final outcome and potential appeal. The number of questions received demonstrated how invaluable it is to delegates to hear first-hand the experiences of other authorities.

Following the overview of an FRA's role and responsibilities, we were pleased to welcome Dr Ian Griffiths, Consultant Occupational Physician and experienced IQMP, who gave a fascinating and often humorous insight into the role of the IQMP and the decision making process. Dr Griffiths covered some further elements of case law, discussing how these may impact on the medical decision.



After lunch we were joined by our LGA colleague Phil Bundy, senior employment law adviser, to talk about mental health in the workplace, with particular reference to the emergency services. Phil outlined the legal framework in place to protect employees, and what employers can do to support staff with mental health conditions.

For the final session of the day, the audience were split into their respective areas of expertise, with a dedicated workshop for each scheme. Clair Alcock led an interactive session for FPS colleagues, using the Sli.do app. Delegates were invited to select randomly from 7 hidden discussion points relating to all aspects of ill-health and injury, and submit questions and comments, in addition to voting in anonymous polls. A list of FAQs based on issues raised will be posted on the [Events](#) page in the coming weeks.



The complete presentation slide decks from the event are available [here](#).

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

We would encourage all delegates to give feedback using the electronic forms provided after the event so we can continue to improve our training events.

### **Pensionable pay workshop**

We are pleased to invite readers to a pensionable pay workshop being held at the LGA offices at 18 Smith Square, London on **Thursday 18 July 2019**, from 10:30 to 15:15.

This conference will look at recent case law relating to pensionable pay and how it applies to the Firefighters' Pension Schemes. The conference will examine the process of making pensionable pay decisions and what can be improved to help best practice.

Jane Marshall from Weightmans will be providing a detailed view of the legislation and legal background to pensionable pay considerations, as well as the implications of retrospective action. Delegates will have the opportunity to hear from experienced FRA practitioners and HR professionals on their experiences of decision making and managing disputes.

The event is aimed at HR practitioners and senior management responsible for implementing pay systems, along with supporting stakeholders such as pension practitioners, employee representatives and administrators.

A draft agenda is available via the booking link, however, please note that the programme is subject to change.

[Click here to book your place.](#)

## Legislation

There have been no new items of legislation laid since our April bulletin.

## 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](#)
- [LGA pensions website](#)

## Contact details

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## FPS Bulletin 22 – July 2019

Welcome to this very special edition of the Firefighters' Pensions Schemes bulletin. To celebrate our second birthday, we've teamed up with organisations from across the sector to bring you a "take-over" issue of the bulletin with contributions on various topics affecting FPS and other public service schemes.

If you have any comments on the contents of this bulletin or wish to contact any of the contributors directly, please contact [Claire Hey](#) in the first instance. All of our usual features can be found towards the end.

If you are looking for information on a certain topic, issue and content indexes are held on the main [bulletin](#) page of the website and are updated following each new issue.

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SAB	3 October 2019
<a href="#">Fire Finance Network conference</a> : Arden - Warwick Conferences	9-10 October 2019
Pensions tax seminar	12 November 2019
SAB	12 December 2019

## Take-over issue

### Once upon a time...

...some firefighters were covered by their local police force pension arrangements. The Police Act 1890, Section 16 explains the funding requirements. Paragraph (1) begins with the statement –

*“There shall be a pension fund of every police force, and there shall be carried to that fund . . .”*

followed by a list of the required payments. While some will be familiar to readers of the current Firefighters' Pension Schemes, for example members' contributions, there are also a few more unusual items such as –

*“The net sums received in the police area for pedlars and chimney sweepers certificates;”*

*“The fines, imposed by a court of summary jurisdiction, for assaults on constables in the force;”*

and the returns from this nice little earner –

*“The net sums arising from the sale of worn or cast clothing supplied for the use of constables of the force”.*

*With grateful thanks to Eunice Heaney for this contribution.*



### Pension tax giving you a headache?

The HMRC pension tax restrictions on pension saving (the Annual Allowance and the Lifetime Allowance) are affecting firefighters causing restrictions to tax efficient pension savings. This is usually those with incomes of £60 - £70,000 but can affect lower earners who get promoted or take on additional duties and we have seen cases from Watch Manager upwards where the Annual Allowance has been breached.

Anyone who has other pension savings or has income from outside the Fire and Rescue Service may also be affected. There is no easy way to confirm that someone is not affected and because the tax rules consider all income and all pension saving the employer and the scheme administrator will not know for sure as they will not know all the information about each member.

In defined benefit pension schemes like the FPS, (1992, 2006 or 2015) the calculations behind each allowance are not intuitive and the combination of further pension accrual combined with pay growth (particularly on promotion) can create growth in pension that is higher than HMRC allow. It's complicated and if members do have other income or other pension savings it gets more complex, particularly if they are "higher earners", with taxable income over £110,000, when further restrictions to their pension savings may apply. Only the member will now this.

Scheme administrators are obliged by legislation to send a Pension Savings Statement to members whose Annual Allowance exceeds the £40,000 level currently available; and Lifetime Allowance breaches are considered at retirement. But there is a lot still for members to do before they can understand if they have a tax charge to settle, and further work to consider how to do so if they do.

There is a lot of information to help firefighters understand but this is still their responsibility to pull the information together and work out whether they owe tax, and if so, to declare that to HMRC and to settle it through the self-assessment process. They may need help and guidance to understand what they need to do and how to do it.

**The article at [Appendix 1](#) has more information and you may wish to make this available to your members.**

*Contributor **Mark Belchamber** has over 25 years' experience helping people understand their pensions and is Director and founder of "Income for the Third Age Ltd", a company that specialises in guidance and education for employers and employees on pensions, pension tax issues and retirement options).*

## A fresh perspective on Perspective

### Public Sector Pension Schemes Are Increasingly Relying on Perspective

According to TPR, in 2018 there were 16.5 million PSPS memberships across 24,000 employers. Arguably, pensions staff need the appropriate resources to carry out their roles as efficiently as possible. Perspective, the legal and regulatory information service for the UK pensions industry, is increasingly seen as a key tool for achieving exactly that.

### What is Perspective all about?

Essentially, a public sector pension scheme is able to have its own scheme rules (the Regulations) in one place on Perspective (much to the envy of pension scheme managers working in the private sector!). Perspective has an ever growing public sector collection of these Regulations, for example: Local Government (1986), Firefighters (1992), Police (1987), NHS (1980), Civil Service (2002) and Teachers (1994). Those working in Fire pensions are responsible for 3 active schemes (the 1992, 2006 and 2015 Schemes) all of which are available in full text on Perspective. Additionally, Perspective covers some public sector documents in Northern Ireland as well as providing access to relevant GAD, LGA and many other materials.

### So, Perspective is all about content?

Yes, but also no! There is impressive functionality as well – for example the ability to look at any document on Perspective and see how it stood at any date in the past is of enormous and proven value. The way that this feature (known on Perspective as “Time Travel”) has been implemented is widely recognised as being the most powerful and flexible way of showing how text has changed over time. It is the envy of other publishers. And, of course, all the content on Perspective is fully up-to-date. All documents on Perspective are updated, usually within a day or so of amendments being published, by a dedicated editorial team of 9 full-time legal editors with Law, English and other degrees. They perform a specialist role in identifying core documents to be added to the system and ensuring these documents have the levels of added value and functionality that users of Perspective have come to expect.

### Public sector pensions, a narrow specialised field?

Over the last 20 years it has become increasingly important for those working in public sector pensions to have a good understanding of general pensions legislation (such as the Finance Act 2004) as well as public sector regulations. The volume of legislation they are expected to have mastered is huge! As Yunus Gajra of WYPF says, *“I have used Perspective for a number of years and I find it a fantastic tool which enables me to do my job quickly and efficiently. It has all the key reference materials that I need or may be interested in which means it’s a one stop shop and I don’t need to look elsewhere or subscribe to other publications!”*

### Is there a brain drain?

Potentially yes, many of the most experienced public sector staff have retired in recent years. This means that the knowledge that has been built up within the industry over many years is being lost at an alarming rate.

### How do some schemes mitigate this problem?

Perspective provides the regulations and explanatory documents which allow staff to learn how and why things happened in the past. If you provide the best resources to the brightest individuals they will, in time, be able to fill the vacuum that has been left by this loss.

### Can technology help?

The younger workforce certainly does not expect to find dusty incomplete A4 ring binders filled with regulations that they don't know how to navigate and about which they have little knowledge. Perspective has a powerful, cutting edge search tool which allows them to search across thousands of documents and find accurate results in seconds. Documents on Perspective contain extensive hypertext linking, including links from defined words or phrases to the relevant definitions, all of which helps to further their understanding of the materials they need to consider and speed up their research significantly. Furthermore, Perspective works in all major browsers and is available on the move through most smartphones and tablets.

### Are there alternatives?

Yes, there are several free websites available and even some subscription sites produced by the largest publishers in the UK, but none with the functionality and comprehensiveness of Perspective. Individuals don't just metaphorically scream when they need to find something on a government website. More often than not they won't find what they need or won't have the confidence that what they have found is accurate or up-to-date.

### Future

It's a complex job administering public sector schemes and, in this day, and age there's no reason for those working in this sector to be grappling with inferior tools compared to their counterparts in the private sector.



## What to expect when a complaint is referred to The Pensions Ombudsman

In this article, we briefly explain what to expect if a complaint about your scheme is referred to The Pensions Ombudsman.



### **An overview of our process**

A complaint to us will follow one of two distinct workstreams.

#### **‘Early resolutions’**

For complaints which usually have not been through a scheme’s internal dispute resolution procedure (IDRP) but are otherwise thought to be within our jurisdiction.

We look to bring the matter to a close as early as possible to shorten the complaint journey for everyone. Early resolution will never result in a final decision being made by an Ombudsman since that can only happen if all the requirements have been met in relation to our jurisdiction, including IDRP being completed, or attempted.

Early resolutions break down into two categories that we have called:

- ‘Quick responses’ where a problem can be solved with minimum intervention. We might contact the pension scheme, but these are generally problems that can be sorted out through a conversation with the complainant.
- ‘Cases’ where some intervention is required including contact with all the parties to the complaint. These are handled by our in-house specialist team, assisted by our 240 highly experienced volunteers drawn from the pensions industry. We are likely to contact the pension scheme to, for example, provide further information or a view on how the matter might be resolved.

#### **‘Investigations’**

For complaints which have been through the IDRP, or other internal complaints process, and are deemed to be within our jurisdiction, for example, within our time limits.

These are investigated by our team of adjudicators. Usually, the pension scheme will be invited to provide a formal response to the complaint. The adjudicator will gather additional evidence they consider is necessary to reach a view on the matter. An investigation will usually result in an adjudicator issuing their opinion on the matter to all the parties to the complaint. Many complaints are resolved this way. But all parties have a right to ask for the matter to be determined by an Ombudsman. In some cases, the Ombudsman will issue a preliminary decision, followed by a determination. The Ombudsman’s determinations are binding on all the parties and can be challenged, on a point of law, through the courts.

## How you can help us

It can speed up the investigation process if we get some key information early on. If your scheme is asked to provide a formal response to a complaint, it helps if that includes:

- evidence relied on when making decisions under the IDRPs
- details, and sight, of any Regulations or Guidance that are relevant to the complaint
- for complaints involving pensionable pay:
  - the member's contract and any contract specific to the allowance
  - any changes to the member's role over the relevant period
  - confirmation of which scheme(s) apply
  - details of how the allowance was paid.

## Want to find out more?

Visit our website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

Our Annual Report 2018/19 is also a good source of information about what we do, and the volumes of complaints we process. Summaries of interesting cases are included.

## Interested in volunteering?

We are always on the lookout for experienced pensions professionals who have the time and dedication to help. If you are interested, please contact [paul.day@pensions-ombudsman.org.uk](mailto:paul.day@pensions-ombudsman.org.uk)

Cyber resilience – are you ready

## Cyber resilience – are you ready?

*Cybercrime remains one of the most rapidly evolving, yet poorly understood risk topics. Whilst the consequences of a cyber-attack on a company are well known, for pension schemes cyber risks are a relatively new threat.*

*In this emerging area, there are many potential actions that scheme managers, administrators and their suppliers can take to ensure that they are prepared for the possibility of a cyber-attack.*

## Why is this important?

Pension schemes hold an abundance of member data and assets making them very attractive targets for hackers. An attack could lead to identify theft of its members, financial losses, disruption of services and reputational damage to both the scheme and FRA/administrator.



## What does this mean for scheme managers?

The initial starting point is asking a lot of questions and establishing an action plan. Scheme managers, with the support of their administrators and advisers, should attempt to understand what risks they could face and consider potential vulnerabilities within their set up before embarking on a plan to minimise those risks, where possible.

In particular, questions should be posed to:

- Data handlers/processors (such as administrators or payroll providers)
- Software suppliers
- The Fire and Rescue Authority (FRA) and any in-house teams.

## What should scheme managers do?

Scheme managers should carry out a robust assessment of their FRA in order to take a holistic and structured view of the issue.

Aon's Cyber Solutions combine three critical areas to help our clients to understand and manage the minefield of cyber security.



### Seek

- **Assess** – Identifying critical assets that could be at risk – what could go wrong?
- **Quantify** – Understanding the potential impacts of cyber threats were they to materialise is important.
- **Test** – A clear understanding of what controls are in place by all third parties and internal functions to prevent cyber-attacks.

### Shield

- **Improve** – Improvements may need to be made to security systems.
- **Transfer** – Considering whether the exposed risk can be transferred to someone else.

### Solve

- **Respond** – Ensuring that a plan is in place to tackle any incident should the worst happen.

## Actions

As cybercrime is an evolving risk, it's critical that the risk is managed and as a minimum, we recommend the following:

- Obtain some training and discuss the issue with relevant parties.
- Undertake a robust assessment to identify specific risks and actions and document these on your risk register.
- Take forward any practical actions.

Risk. Reinsurance. Human Resources.

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## The complexities of ill-health pensions

*Jane Marshall, partner at Weightmans LLP and legal adviser to the SAB, writes about the complexity of ill-health pensions...*

When asked to write a legal piece for the 'take-over issue' there was so much to choose from!

We have had a raft of recent Court and Pensions Ombudsman decisions affecting not just the Firefighters' Pension Scheme, but public service pension schemes as a whole. Following the recent decision of the Supreme Court in which the Government was refused permission to appeal the age discrimination decisions in McCloud and Sargeant<sup>1</sup>, to the intense media interest in our current pensions tax relief system and the effect this is purportedly having on NHS waiting lists, one wonders what the future holds in respect of public service pensions?

Unfortunately, as my skills do not extend to predicting the long term future of public service pensions, I thought I would be on safer ground writing about ill-health retirement following the successful '[Ill-health and injury workshop](#)' run by the SAB<sup>2</sup> in June. **You can read the article at [Appendix 2](#).**

## Weightmans legal update

In addition to Jane's piece, the legal update from Weightmans at [Appendix 3](#) provides a summary of two key developments affecting public service pensions, including the recent landmark judgement in Langford v Secretary of State for Defence<sup>3</sup> which ruled that survivor benefits could be paid to a long-term partner although they remained legally married to a third party.

## TPR Governance and Administration survey 2018 – a view from the Regulator

*Nick Gannon, policy lead at TPR, has the following message for Fire schemes...*

We believe that all savers should be in well run schemes. The 2018 governance and administration survey shows that significant improvements have been made in several areas but that Fire schemes still have some way to go to meet the standards that we expect them to meet. We are encouraged by the improvements that have been made and expect that they will continue through 2019 to be demonstrated in this year's survey results.

We note that Fire scheme local pension boards meet less frequently than those in other surveyed cohorts, and much less than we believe they should. This infrequent meeting schedule may be one reason that the schemes continue to lag in key governance measures. With little regular oversight it is difficult for pension boards to put the right controls in place and to drive the improvements that are need in both governance and administration. Similarly, regular turn-over of pension board members means that knowledge and experience risk being lost and becomes difficult to replace. This survey also highlighted the prevalence, and risks, of cyber attacks. This is one area in particular that requires strong governance and should be given serious attention.

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<sup>1</sup> The Lord Chancellor & Secretary of State for Justice v McCloud & others; and The Secretary of State for the Home Department v R Sargeant & others

<sup>2</sup> The Firefighters' Pensions (England) Scheme Advisory Board

<sup>3</sup> <https://www.matrixlaw.co.uk/wp-content/uploads/2019/07/Approved-Judgment-Langford-C3.2018.0111-and-C3.2018.0111A.pdf>

Scheme data continues to be a concern for all public service schemes, and Fire is no exception. Progress has clearly been made with data cleansing exercises, which should continue. Attention must also be paid to the data coming in. Far too many schemes are still relying on data that is provided annually, and in paper returns. To ease administration, data should be provided wherever possible monthly and in electronic format. This links data provision to payroll and simplifies processing for all involved.

Pension boards and scheme managers should consider the results of this survey, and how they apply to their own scheme. Amidst a number of simple improvements that can be made rapidly are several more issues that will require greater attention and more time. With the consequences of the McCloud and Sargeant cases as yet unknown, now is the time to make urgent improvements to scheme governance and administration. Where these improvements are not, or cannot, be made we may look to use our enforcement powers.

*A commentary on the results can be viewed at [Appendix 4](#) and the full version of the [research report](#) is available on the TPR website.*



## FPS

### July 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 June.

### Written Ministerial Statement: Public Service Pensions

The Government made a written statement<sup>4</sup> on 15 July 2019 accepting the court's decision in the Firefighters Transitional Protection Challenge, also known as 'McCloud and Sargeant'. The Government will now engage with the employment tribunal to agree remedy. The written statement goes further to confirm that government believe that remedy will apply across all the public sector schemes, these include schemes for NHS, Civil Service, Local Government, Teachers, Police, Armed Forces, Judiciary and Fire and Rescue workers.

#### Effect on scheme member benefits

While we appreciate that members may have questions about how their benefits may change in the future, until the remedy has been determined by the employment tribunal, the scheme re-valued and any regulations changed as a result we cannot speculate on this.

Until the regulations are amended, all scheme transactions will be based on the regulations as they currently stand, this includes retirements, applications for ill-health retirements, benefit projections and Annual Benefit Statements as at 31 March 2019.

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<sup>4</sup> <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-07-15/HCWS1725/>

## Other News and Updates

### GAD newsletters

The Government Actuary's Department has issued the [July edition](#) of its Public Service Pension Schemes newsletter. This is intended to be an informal note to provide regular updates on what is happening within the PSPS area of GAD and to highlight some current hot topics that schemes and other department contacts might be interested in.

Readers with a more macabre outlook may be interested in the [second edition of GAD'S Mortality Insights](#), also issued in July.

### The Pensions Ombudsman (TPO) Annual Report and Accounts 2018/19

The TPO Annual Report and Accounts 2018/19 were laid in Parliament on 18 July. A message from Anthony Arter, Pensions Ombudsman, with a link to the report on the TPO website is attached to this bulletin as [Appendix 5](#).

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

### Written Ministerial Statement: Walker v Innospec Supreme Court Judgment and Response to the Survivor Benefits Review

The Minister for Pensions and Financial Inclusion Guy Opperman has confirmed in a written statement<sup>5</sup> that the Government does not intend to make any further retrospective changes to equalise survivor benefit provision in respect of occupational pension schemes, following the changes implemented in light of the [Walker v Innospec](#) Supreme Court judgement.

See our [technical note](#) on SI [2019/378](#) for how those changes affected the FPS.

While the Minister acknowledged that differences in benefits in respect of past service would remain for some members, he added that these will gradually work their way out of the system.

### House of Commons briefing paper – GMP-related overpayments

The House of Commons Library has updated a briefing paper<sup>6</sup> concerning GMP-related overpayments in public service pension schemes. The paper looks at overpayments which occurred due to the incorrect calculation of GMPs in 2008 and again following the end of contracting-out and subsequent reconciliation exercise in 2018.

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<sup>5</sup> <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-07-04/HCWS1690/>

<sup>6</sup> <https://researchbriefings.files.parliament.uk/documents/SN04919/SN04919.pdf>

## TPR secondment opportunity

Please see details below from TPR concerning a secondment opportunity in the role of Specialist - Pension Administration:

TPR has recently opened up an administration [secondment opportunity](#) in our Policy team.

The pensions landscape is undergoing a step change. The rise in the number of people saving into pension schemes and initiatives like the Pensions Dashboards, mean that good standards of administration are more important than ever to ensure that savers can have confidence in the pensions industry. We need to have a clear view of the risks in this sector, and a robust strategy for dealing with them, so that savers' benefits are protected and confidence in pensions is maintained. The secondee will help to ensure we fully understand the functioning of pensions administration sector and design an appropriate response to the risks.

A secondment to the specialist role in this team would suit the skill set of someone with at least five years' experience in the pensions administration market, particularly with experience of client management or a role involving engagement with trustee boards, pension boards or scheme managers.

TPR runs a very successful industry secondment programme, which has been operating for over 10 years. We recruit people who bring essential and relevant commercial skills and the latest insight on pensions issues. You can see our [secondees testimonials](#) for some recent examples.

### Key benefits to your organisation

- An excellent opportunity for staff development
- An opportunity to work in the frontline of a fast-paced and exciting area of regulation
- An opportunity to create a network of lasting relationships
- An opportunity for your staff to apply their skills and knowledge in a related environment
- Expanded outlook and a better understanding of regulation

Terms and conditions are subject to negotiation and agreement between parties, but we will always aim to cover employment costs and reasonable expenses.

Ideally we'd look for this secondment to run for twelve months, from October.

For more information or to discuss this opportunity further, please contact Lucy Stone, [Lucy.Stone@thepensionsregulator.gov.uk](mailto:Lucy.Stone@thepensionsregulator.gov.uk) or Zoe Kyle, HR on 01273 627213 or [zoe.kyle@thepensionsregulator.gov.uk](mailto:zoe.kyle@thepensionsregulator.gov.uk). For general enquiries, please contact [secondments@tpr.gov.uk](mailto:secondments@tpr.gov.uk)

## HMRC

### Contracting-out reconciliation update

The following bulletin, containing important guidance and information about the end of contracting out and the scheme reconciliation process, has been published by HMRC in July.

[Countdown bulletin 46](#)

Updates include:

- Scheme Financial Reconciliation
- Scheme Financial Allocations
- problems accessing Shared Workspace

## Training and Events

### Pensionable pay workshop – event summary

We were pleased to welcome over 70 delegates to our sold out event on 18 July 2019, in order to discuss the challenge of interpreting pensionable pay within the legislation and case-law.

The morning session was opened by Clair Alcock who outlined how 45 different decision makers, case-law, and legislation combine to provide complexity in determining pensionable pay. This was followed by an in-depth look at the most recent case Booth vs Mid and West Wales from Jane Marshall, partner at Weightmans LLP and legal adviser to the Fire Scheme Advisory Board. Steven Pope, Head of Human Resources at Devon and Somerset Fire then took to the stage to deliver a practitioner's insight into pensionable pay decision making. Before lunch we welcomed back Jane Marshall to give a case-law round up and a discussion on what steps Fire Authorities now need to take to remedy pensionable pay. The number of questions received during Jane and Steven's sessions demonstrated how valuable it is to hear first-hand issues on pensionable pay.



Following lunch, Clair Alcock shared some thoughts on decision making to ensure that pensionable pay is considered at the heart of any pay structure, we then welcomed James Durrant, Pensions Manager at Essex Fire Authority who shared some thought provoking insight into tax consequences of retrospective action to ensure that where action is taken, tax law is complied with.

The final session of the day was a panel discussion session, which allowed the audience to ask questions of all the speakers of the day.

The complete presentation slide deck from the event is available [here](#). To view the conference in pictures, visit our [@LGAWorkforce](#) twitter feed, #LGAfirepensions

We would encourage all delegates to give feedback using the electronic forms provided after the event so we can continue to improve our training events.

[Click here to return to Contents](#)

## FPS AGM – London – 24-25 September 2019 SAVE THE DATE

Our popular Fire Pensions Annual Conference is back! The two day programme allows delegates to network with fellow colleagues and hear the latest news on the Firefighters' Pension Scheme (FPS) from the scheme's key stakeholders.

You will hear important updates, including:

- Chairman of the Scheme Advisory Board
- The Home Office
- Legal Updates

As well as providing the opportunity to network with other FPS stakeholders, there will be interactive and thought provoking workshops to take part in during the day, including:

- Abatement
- Transitional Pension Calculations
- Forecasting and Top-Up Grant, GAD

### **Day 1 – Tuesday 24 September 2019 4:30pm - 6:30pm**

Primarily for Scheme Managers and Local Pension Board chairs, day 1 of the conference will provide practical guidance on the role of the [scheme manager](#) and will offer the opportunity to network with counterparts in other Fire Authorities.

Following this session there will be a drinks reception on the terrace from 6:45pm

### **Day 2 – Wednesday 25 September 2019 9:30am - 3:30pm**

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

The full programme and booking link will be available shortly.

## Legislation

There have been no new items of legislation laid since our April bulletin.

## 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](#)
- [LGA pensions website](#)

## Contact details

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## FPS Bulletin 23 – August 2019

Welcome to issue 23 of the Firefighters' Pensions Schemes bulletin.

If you are looking for information on a certain topic, issue and content indexes are held on 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](#).

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## 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](#).

Eastern regional group	10 September 2019
Firefighter Pensions Technical Community	24 September 2019
Firefighters' Pensions AGM <a href="#">Day 1</a> <a href="#">Day 2</a>	24-25 September 2019
SAB	3 October 2019
North East regional group	4 October 2019
<a href="#">Fire Finance Network conference</a> : Arden - Warwick Conferences	9-10 October 2019
Fire Communications Working Group	16 October 2019
SAB Administration & Benchmarking/ Cost-effectiveness committee	24 October 2019
South East regional group	28 October 2019
Pensions tax seminar	12 November 2019
SAB LPB effectiveness committee	14 November 2019
SAB	12 December 2019

## FPS

### [Aon administration and benchmarking review – final report](#)

In 2018, the Scheme Advisory Board (SAB) commissioned an administration and benchmarking review<sup>1</sup> with the aim of establishing how much the scheme costs to run and how effective administration is.

After a procurement process Aon were appointed to undertake the project, and the exercise saw all FRAs and administrators answering a number of questions about costs, resources and service, while members also had the opportunity to complete a short questionnaire on their experiences.

The results are now in and following detailed analysis, we are pleased to publish the final report<sup>2</sup>. The SAB, supported by its three committees, is now considering the recommendations made and will issue a report focusing on the actions needed to progress this work.

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<sup>1</sup> <http://www.fpsboard.org/index.php/board-publications/administration-and-benchmarking-review>

<sup>2</sup> <http://www.fpsboard.org/images/PDF/Surveys/Aonreportfinal.pdf>

With regard to the cost of the scheme, readers should note that this is a first attempt to analyse how much the scheme costs to run; some FRAs were not able to provide any cost information and others only some. Therefore, the costs indicated in the report cannot be taken at this stage to be a completely accurate reflection. Nevertheless, the Board feel that this was a worthwhile first step and will be looking to collate costs on an annual basis going forward in order to establish a more accurate reflection.

Needless to say, there are challenging, but exciting, times ahead.

The report can be found at [Appendix 1](#) and we would encourage all FRAs to read this and discuss with their Local Pension Board (LPB) how their individual results compare against the national picture.

### GAD data improvement reports for FRAs

As we reported in [FPS Bulletin 8 – May 2018](#), some FRAs had data excluded for the purposes of setting assumptions for the 2016 FPS valuation. Each FRA affected was contacted individually to advise where the data discrepancies lay.

Further to this, GAD have prepared individual data improvement reports for every FRA to help them understand why data provided may not have been considered usable. The purpose of the note is to inform where improvements to the member data held/provided for valuations could be focussed to enable more data to be included for the 2020 valuation. We will be circulating the relevant note to each FRA over the coming weeks.

### FPS contacts for HMRC

Back in 2015 when the Pension Scheme Tax Reference (PSTR) numbers were being set up for the new scheme, we provided HMRC with a list of contact names, addresses, and email addresses for each FRA.

HMRC are now looking to get their records as up to date as possible and have asked if we can supply them with current contacts. Ideally they require details of the Pensions Manager or senior person responsible for pensions administration within each FRA.

**ACTION: FRAs to provide the name, address, telephone number, and email address for the pensions manager or senior responsible person.**

Please email [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk) by 30 September 2019 using the subject line “FPS contacts for HMRC”.

### A word about breaches

At Annual Benefit Statement (ABS) time we get a lot of queries about breaches of law if statements have failed to be issued by 31 August even if this is just for a limited number of members.

We would like to take this opportunity to remind readers that ALL breaches of law must be recorded and assessed for materiality. If the breach is considered to be material then it should be reported to TPR.

To assist scheme managers and pension boards with this we have provided a breach assessment template<sup>3</sup> that allows you to assess the breach and also acts as a recording document of the breach.

TPR have issued guidance on reporting breaches in paragraphs 247 -271 of the Code of Practice 14<sup>4</sup> and issued example breaches using the traffic light framework<sup>5</sup>. Materiality to TPR needs to be assessed across the four areas of Cause; Effect; Reaction and Wider Implications.

TPR have previously stated that numbers alone doesn't necessarily make the breach immaterial; they would also want to know frequency and history, i.e. is a certain category of member receiving statements late each year, if so what is the reason and what is being done to ensure that future statements are on time for these members.

In the recently published TPR governance and admin survey<sup>6</sup>, TPR expressed concern that of 17% recognised breaches only 2% had been recorded as material. This might prompt them to look further at Fire breaches over the next year, therefore if late issue of ABS is not reported to be material, there would be an expectation that they would request to see documentation of the recording of the breach and an assessment of materiality.

### SAB Administration & Benchmarking committee vacancy

A vacancy has arisen on the [Administration & Benchmarking committee](#) for an FRA Local Pension Board representative. The main objectives of the committee are to provide guidance to the SAB to understand the value and cost of administration, and consider how administrators can best be supported by identifying best practice. The committee are currently involved in considering the recommendations made by Aon in the [administration and benchmarking review](#) and how these can be progressed.

The required commitment is attendance at three to four meetings per year, generally held in London. Attendance can be made by conference call if necessary. If you are interested in sitting on the committee, please email [clair.alcock@local.gov.uk](mailto:clair.alcock@local.gov.uk) for further information.

### New factsheet – Compensatory ill-health pensions

Following recent discussions at the Firefighter Pensions Technical Community, we have produced a factsheet on compensatory ill-health pensions paid to retained firefighters.

This factsheet has been prepared to give guidance to FRAs on when entitlement to a compensatory 'ill-health' pension payable under The Firefighters' Compensation Scheme (England) Order 2006 ("compensation scheme") arises for a retained firefighter who was employed prior to 6 April 2006 and where the injury occurred before 1 April 2014.

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<sup>3</sup> <http://www.fpsboard.org/images/LPB/Resources/Breachassessment210119.docx>

<sup>4</sup> <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/code-14-public-service.ashx>

<sup>5</sup> <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/ps-reporting-breaches-examples-traffic-light-framework.ashx>

<sup>6</sup> <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2019.ashx>

These firefighters were given compensatory provisions under the compensation scheme rules because they could not join the Firefighters' Pension Scheme 1992 (FPS 1992).

The factsheet has been published on the [factsheets](#) tab of the FPS Regulations and Guidance website and is also attached as [Appendix 2](#).

### August 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 July.

## Other News and Updates

### The Pensions Ombudsman (TPO) dispute resolution – consultation response

The Government have published their consultation response<sup>7</sup> into TPO's dispute resolution provisions. The consultation, which ran from 19 December 2018 to 18 January 2019, sought views on: making new provision for dispute resolution, to include a function for early resolution; allowing an employer to raise a complaint or dispute to TPO on its own behalf; and new signposting provisions.

### The Pensions Regulator (TPR) scheme return

Schemes are advised that TPR's Public Service Pension Scheme return (2019) is currently scheduled for late September.

"Wake-up" communications will be sent to FRA's named scheme managers to alert them to this forthcoming event.

## HMRC

### HMRC newsletters/bulletins

HMRC have published pension schemes newsletters 112 and 113 containing important updates and guidance on pension schemes. The following issues are covered:-

- [Pension schemes newsletter 112 – 31 July 2019](#): Relief at source | Pension flexibility statistics | Annual allowance | The Pensions Regulator (TPR)'s consultation on the future of pension trusteeship and governance | Qualifying Recognised Overseas Pension Schemes (QROPS) transfer statistics |
- [Pension schemes newsletter 113 – 29 August 2019](#): Relief at source - annual returns of information for 2018 to 2019 | Relief at source - APSS106 annual claims for 2018 to 2019 | Annual allowance - pension savings statements for 2018 to 2019 |

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<sup>7</sup> <https://www.gov.uk/government/consultations/the-pensions-ombudsman-dispute-resolution-and-jurisdiction/outcome/government-response-the-pensions-ombudsman-dispute-resolution-provisions-and-widening-of-jurisdiction>

Administrators are reminded that annual allowance pension savings statements for the 2018-19 tax year must be issued to members who exceeded the annual allowance, by 6 October 2019. More information can be found in the Pensions Tax Manual at [PTM167100](#).

### 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 on 30 July 2019.

### [Countdown bulletin 47](#)

Updates include:

- Scheme financial billing exercise
- Scheme financial refund exercise
- Returned cheques

### 2018/19 Event Reporting - Annual Allowance Statements & Lifetime allowance

As last year, HMRC is prepared to accept from PCM customers, scheme data regarding pension savings statements for 2018-19 on an excel spreadsheet rather than through the scheme's Event Report. All other scheme events for 2018-19, with the exception of the lifetime allowance protection regimes (see 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 2018-19 Event Report. The data must be submitted by 31 January 2020 and HMRC 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, it would be helpful if you could list the data in the same line on the spreadsheet.

Guidance is included 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.gov.uk](mailto:pensions.businessdelivery@hmrc.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.

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**

You may recall from last year that, in accordance with 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. If you need to submit these details to HMRC, you can also submit them on a password protected spreadsheet and send the password in a separate email.

You should put 'Lifetime allowance – Event Reporting' in the subject line of your email and send this to [pensions.businessdelivery@hmrc.gov.uk](mailto:pensions.businessdelivery@hmrc.gov.uk) and, again, copy in your PCM. This data must also be provided by 31st January 2020.

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.

## **Training and Events**

### **FPS AGM – London – 24-25 September 2019**

We are pleased to announce that booking for the ever popular Fire Pensions Annual Conference is now live. The event was advertised by email on 9 August 2019 and a number of places are still available to book.

The two day programme allows delegates to network with fellow colleagues and hear the latest news on the Firefighters' Pension Scheme (FPS) from the scheme's key stakeholders.

You will hear important updates, including:

- Chairman of the Scheme Advisory Board
- The Home Office
- Legal updates

As well as providing the opportunity to network with other FPS stakeholders, there will be interactive and thought provoking workshops to take part in during the day, on topics such as

- Abatement
- Transitional pension calculations
- National performance monitoring

Timings are provided below and the full programme will be available shortly. Use the links to book your place now. **Please note that each day must be booked separately.**

#### **[Day 1 – Tuesday 24 September 2019 4:30pm - 6:30pm](#) followed by drinks reception**

Primarily for Scheme Managers and Local Pension Board chairs, day 1 of the conference will provide practical guidance on the role of the [scheme manager](#) and will offer the opportunity to network with counterparts in other Fire Authorities.

Following this session there will be a drinks reception on the terrace from 6:45pm

### **Day 2 – Wednesday 25 September 2019 9:30am - 3:30pm**

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 the event!

## **Legislation**

There have been no new items of legislation laid since our April bulletin.

## **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](#)
- [LGA pensions website](#)

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# Ill-health pension paid from Compensation Scheme to Retained Firefighters employed before 6 April 2006

## Introduction

This factsheet has been prepared to give guidance to Fire and Rescue Authorities (FRAs) on when entitlement to a compensatory 'ill-health' pension payable under The Firefighters' Compensation Scheme (England) Order 2006 ("compensation scheme") arises for a retained firefighter who was employed prior to 6 April 2006 and where the injury occurred before 1 April 2014.

These firefighters were given compensatory provisions under the compensation scheme rules because they could not join the Firefighters' Pension Scheme 1992 (FPS 1992).

Firefighters who joined as a retained firefighter after 1 April 2006 were entitled to join the Firefighters' Pension Scheme 2006 (FPS 2006).

## Entitlement to Part 8, Rule 2

A retained firefighter who was employed prior to 6 April 2006 and received an injury prior to [1 April 2014](#) is entitled to an injury and ill health pension under [Part 8, rule 2](#) of the compensation scheme.

A retained firefighter employed prior to 6 April 2006, who didn't subsequently become a '[special member](#)' under the terms of the modified FPS 2006 arrangements, and is retrospectively awarded an injury and ill health pension after [1 April 2014](#), is entitled to an injury and ill health pension under Part 8, rule 2 under the protected right granted in [SI 2014/447](#) [rule 3, paragraph 2], where it has been determined that the injury is a qualifying injury and was sustained before the 1st April 2014.

A retained firefighter who was employed before 6 April 2006 and later became a special member under the terms of the modified FPS 2006 cannot receive a pension paid under Part 8, Rule 2.

## Treatment under the scheme rules

Where a compensatory ill-health pension is in payment, FRAs should be mindful of the following points:

1. The pension is non-taxable as it is paid under the compensation scheme<sup>1</sup>.
2. A spouse or civil partner's pension should be paid only if they meet the criteria of [Part 3, Rule 1](#) (i.e. the member had died as a result of the qualifying injury).
3. The pension payment must be funded from the FRA operating account, not the top up grant, in line with paragraph 3.25 of the finance guidance<sup>2</sup>.

**It is recommended that FRAs undertake a review to ensure that payments are being made correctly.**

## Regulations

### Pre 1 April 2014

Prior to 1 April 2014 if a retained firefighter who was employed before 6 April 2006 and therefore not eligible to join FPS1992, was disabled due to a qualifying injury, they were to be treated as if they were a whole-time firefighter for the purpose of the injury award.

Additionally, under [Part 8 Special Cases, rule 2, paragraph 4](#) [as amended by [SI 2006/3434](#)], an ill health pension was payable under the rules of FPS 1992 as if they were a whole-time firefighter. Regulation 4A requires any ill-health pension paid as a result of being a member of FPS 2006<sup>3</sup> or the Firefighters' Pension Scheme 2015<sup>4</sup> (FPS 2015) to be subtracted from this amount.

### Post 1 April 2014

Part 8, rule 2 was [amended](#) in 2014 to remove the above provision. This is because the rules of FPS 2006 were modified to allow a retained firefighter to retrospectively join a scheme which partly reflected the benefits of FPS 1992.

However, under the [transitional provisions](#) [rule 3, paragraph 2], where it is determined that the injury is a qualifying injury **and** was sustained before 1 April 2014, the right to an ill-health pension as a whole-time firefighter based on the FPS 1992 rules would still apply.

---

<sup>1</sup> <http://www.fpsregs.org/images/admin/Technotes/Technote2.0917.pdf>

<sup>2</sup> Guidance for FRAs on new financial arrangements for firefighter pensions with effect from April 2006 dated August 2006 - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/14964/160429.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/14964/160429.pdf)

<sup>3</sup> <http://www.legislation.gov.uk/ukxi/2006/3434/schedule/paragraph/8/made>

<sup>4</sup> <http://www.legislation.gov.uk/ukxi/2015/590/schedule/1/paragraph/7/made>

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 August 2019, 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)

August 2019

**FPS Administrator's Survey**

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<b>1</b>
<b>What pension administrator(s) do you represent?</b>
Hampshire County Council

<b>2</b>
<b>Which Fire organisation does this survey relate to?</b>
Hampshire Fire and Rescue Service

<b>2a</b>
<b>Is this the first survey that you are completing for an organisation that you administer?</b>
Yes

<b>3</b>	
<b>What functions do you undertake for the Fire organisation? (Please select all appropriate options)</b>	
Description	Selection
Issuing new starters with scheme information	<input checked="" type="checkbox"/>
Issuing members with information about regulatory amendments	<input checked="" type="checkbox"/>
Processing calculations - such as retirements/deferreds/transfers/divorces	<input checked="" type="checkbox"/>
Issuing calculation correspondence to the Fire organisation	<input checked="" type="checkbox"/>
Issuing calculation correspondence to the member/their representatives	<input checked="" type="checkbox"/>
Managing the IQMP process	<input type="checkbox"/>
Resolving and answering pension related queries from members and/or their representatives	<input checked="" type="checkbox"/>
Paying member pensions	<input checked="" type="checkbox"/>
Paying member lump sums	<input checked="" type="checkbox"/>
Paying refunds of contributions	<input checked="" type="checkbox"/>
Paying transfer values	<input checked="" type="checkbox"/>
Receiving transfer values	<input checked="" type="checkbox"/>
Collecting member contributions	<input type="checkbox"/>
Issuing Annual Benefit Statements to Active members	<input checked="" type="checkbox"/>
Issuing Annual Benefit Statements to Deferred Members	<input checked="" type="checkbox"/>
Issuing Pension Saving Statements	<input checked="" type="checkbox"/>
Providing reports to HMRC for Event Reports and Account for Tax returns	<input type="checkbox"/>
Address IDRPs requests as the 'Appointed Person'	<input type="checkbox"/>
Attend Local Pension Board Meetings	<input type="checkbox"/>
Attend customer relationship/contract meetings	<input checked="" type="checkbox"/>
	<b>How often do the Local Pension Board Meetings take place?</b>
	Quarterly

All of the above	<input type="checkbox"/>	Specify (if Other)
Other (please specify)	<input type="checkbox"/>	

<b>4</b>
On a scale of 1-4 (1 being very complex and 4 being very straight forward), how do you rate the complexity of the benefit structure and regulatory provisions of the FPS?
1

<b>5</b>
Do you have a Service Level Agreement in place with the Fire organisation stated in Question 2?
Yes

<b>6</b>		
On a scale of 1-4 (1 being very unsatisfied and 4 being very satisfied), how would you rate the following information provided to you by the Fire organisation (and any other third party that provides you with information):		
The quality of data provided	The timeliness of data provided	The completeness of data provided
4	4	4

<b>7</b>
Do you report on the Fire organisation's performance back to the Fire organisation?
Yes

<b>7a</b>
Where you are not satisfied with the information provided by the Fire organisation, do you propose improvements to the Fire organisation?
Yes

<b>8</b>
Do you report on your performance to the Fire organisation?
Yes

<b>8a</b>
Where you are not meeting your SLAs, do you propose improvements to the Fire organisation?
Yes

9

Please indicate whether any of the following potential concerns apply to the Fire organisation?

Description	Yes	No
The Fire organisation don't understand their pension responsibilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The Fire organisation don't understand that they are the Scheme Manager	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The Fire organisation isn't committed to managing the FPS	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Member data is inaccurate or incomplete	<input type="checkbox"/>	<input checked="" type="checkbox"/>
All year-end returns are late	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Legal timescales are challenging and not always being met	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Agreed service standards are challenging and not always being met by the Fire organisation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Agreed service standards are challenging and not always being met by us as the administrator	<input type="checkbox"/>	<input checked="" type="checkbox"/>

10

Please indicate whether any of the following potential concerns apply in respect of communications for the Firefighters that you administer

Description	Response
Do you find that you receive more administration queries from the Fire organisation than other employers/organisations?	No
Do you find that firefighters have greater expectations of administration services to members of other pension schemes you administer?	No
How confident are you that scheme communications you issue are received by firefighters, on a scale of 1 to 4 with 1 being not confident, and 4 being completely confident?	4
How confident are you that scheme communications you issue are understood by firefighters, on a scale of 1 to 4 with 1 being not confident, and 4 being completely confident?	2

11

How many breaches of the law have you recorded in the past 12 months in relation to the Fire organisation?

0

11a

How many of these breaches have been determined to be material and have therefore been reported to the Pensions Regulator?

12

Have you provided data scores for Common and Scheme Specific Data for the 2018 Pensions Regulator annual return?

Yes

12a	
Please confirm the data scores captured for the Common and Scheme Specific Data as required for the 2018 Pensions Regulator Survey in relation to the FRA?	
Common Data	Scheme Specific Data
1992 - 97% 2006 - 95% 2015 - 99%	1992 - 99% 2006 - 98% 2015 - 97%

13
Do you measure your performance against statutory deadlines for processing cases such as issuing members with their retirement/deferred options and processing transfer cases?
Yes

13a
Do you report that performance to the FRA or their Local Pension Board?
Yes

14
How many retirement cases (where the member is retiring from active service) did you process between 1 October 2017 and 30 September 2018 in relation to the Fire organisation stated in Question 2?
Stated Cases
29

14a
Please state your agreed timescales for issuing members with their retirement quotation/options following receipt of all complete information from the Fire organisation stated in Question 2?
15 days

14b
Please confirm the percentage of cases that were completed within your agreed timescales for issuing members with their retirement quotation/option?
100%

14c

Please state your agreed timescales for completing retirement cases following receipt of all complete information from the member in respect of the Fire organisation stated in Question 2?  
 15 days

**14d**  
 Please confirm the percentage of cases that were completed within your agreed timescales for completing retirement cases following receipt of information from members?  
 100%

**15**  
 How many deferred cases (where the member qualifies for a deferred benefit) did you process between 1 October 2017 and 30 September 2018 in respect of the Fire organisation stated in Question 2?  
 Stated Cases  
 114

**15a**  
 Please state your agreed timescales for issuing members with the value of their deferred benefits once in receipt of all the necessary information from the Fire organisation stated in Question 2?  
 20 days

**15b**  
 Please confirm the percentage of cases that were completed within your agreed timescales?  
 100%

**16**  
 How many new joiner cases did you process between 1 October 2017 and 30 September 2018 in respect of the Fire organisation stated in Question 2?  
 Stated Cases  
 156

**16a**  
 Please state your agreed timescales for creating a record and issuing correspondence?  
 20 days

16b
Please confirm the percentage of cases that were completed within your agreed timescales?
100%

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# FPS Administrator's Survey

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17	
How many Full Time Equivalent (FTE) members of staff carry out work administering the FPS for you? (e.g. if you have 4 members of staff who spend 50% of their time working on the FPS, 2 members who spend 25% of their time and 5 who spend 10% of their time then the total would be 3 FTE)	
Full Time Employees	Specify (if Other)
3 FTE	

18	
What is the average length of FPS experience for your FPS staff? (e.g. If you have 5 members of staff who administer the FPS who have worked in the FPS for 3, 2, 4, 7 and 5 years respectively, then the average would be 4.2 years)	
Description	Specify (if Other)
	Not known - no specific fire team

19
Do staff spend a similar amount of their time working on each Fire organisation (taking into account their relative size)?
N/A – we only administer 1 Fire Organisation

19a
Are there any Fire organisations in particular where more work is required which isn't due to their relative size? (please list)
FRA Name(s) (One after the Other)

19b
Is there any difference in the admin fee which reflects the additional time spent on the organisations listed above?

20
----

Do you have a dedicated FPS website for the members?

Yes

20a

Are you planning on implementing a website in the near future?

21

Do you currently have an online self-service facility available to FPS members?

No

21a

Are you planning on implementing a self-service facility in the near future?

Yes

22

Do you currently have an employer self-service facility where the FRA can transfer their data to you?

No

22a

Are you planning on implementing an employer self-service facility in the near future?

No

23	
Do you feel that the Fire organisation is appropriately resourced to provide you with the required information/data in order for you to execute your functions in relation to the FPS?	
Yes/No	If not, why not? Comments
Yes	

24	
On a scale of 1-4 (1 being very poor and 4 being very good), how would you rate the guidance and support offered to you in administering the FPS from:	
Description	Rating
The Local Government Association	4
The Home Office	1
Membership of your regional Fire Pension Officer Group	3

25
Are you aware of the new Firefighters' Pension Schemes Regulations and Guidance website?
Yes

25a
Have you used this website?
Yes

25b		
On a scale of 1-4 (1 being very poor and 4 being very good), how would you rate the content offered on the website?		
Website	Rating	Comments (if any)
Content	3	
Ease of use (e.g. finding information)	3	

26
Are there any specific areas of the scheme where you think additional guidance and support are required?
Comments

# FPS Administrator's Survey

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27

How would you rate the service levels you offer in relation to the income you receive for administration of the FPS in relation to the Fire organisation stated in Question 2?

Description	Comments (if any)
Good – Costs reflect a good service	

28

Did you charge any additional costs for the following "special" projects in consideration for extra resources deployed, understanding technical amendments, responding to member's queries or Fire organisation requests etc. in respect of the Fire organisation stated in Question 2?

Description	Yes	No	Comments (if any)
Implementation of the 2015 Scheme	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
GAD v Milne	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
18-20 contribution holiday	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Norman v Cheshire	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
GMP reconciliation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
APB discretions	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
TPR data reporting requirements	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Special members of the 2006 scheme	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Others (Please Specify)			

28a

If not, why not?

Comments

Part of a shared service arrangement so difficult to charge additional costs

29

If you could change one thing about the FPS, what would it be?

Comments

Remove the modified scheme.

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**FPS Employer's Survey**

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Page 66

<b>1</b>
<b>Which Fire organisation do you represent?</b>
Hampshire Fire and Rescue Service

<b>2</b>
<b>How many active (contributing) firefighters does your organisation(s) have in the FPS?</b>
1,000 and above

<b>3</b>
<b>Who carries out the administration of the FPS for your Fire organisation?</b>
Third party - Your local LGPS administering authority

<b>4</b>
<b>Have you changed your pension administrator within the last 3 years or are you planning to change administrator?</b>
No

<b>4a</b>		
What were/are the reasons behind the change in administrator? (multiple selections allowed)		
Reason	Selection	Specify (if Any)
Cost effectiveness	<input type="checkbox"/>	
Unsatisfactory service levels	<input type="checkbox"/>	
End of contract/previous administrator did not retender	<input type="checkbox"/>	
Lack of necessary resource or expertise	<input type="checkbox"/>	Specify (if other)
Other—please specify	<input type="checkbox"/>	

# FPS Employer's Survey

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5

How do you rate your understanding of your responsibilities in relation to the FPS

Excellent

5a

How do you ensure that you understand your responsibilities in relation to the FPS?

Description	Selection	Please specify below
Attendance at regular training sessions (please specify frequency/type of)		ad-hoc as and when required
Attendance at conferences (please specify)	<input checked="" type="checkbox"/>	Annual Fire conference
Compliance with a training plan (covering officers / LPB members/both)	<input checked="" type="checkbox"/>	
Make use of national support (please specify)	<input checked="" type="checkbox"/>	LGA
Other (please specify)	<input type="checkbox"/>	

5b

Do you fully comply with your responsibilities in relation to the FPS

Yes

6

Do you have a Service Level Agreement with your administrator (or equivalent if in-house)?

Yes

7

How often do you receive an administration report from your administrators (regardless of whether your administrators are in-house or a third party)?

Annually

7a

Do you feel you receive all the required information from your administration report?

Yes

8

Have you experienced difficulties in providing data for the administration of the Scheme?

Rarely

8a

What are the difficulties you have experienced from the following? (Please select multiple)

Description	Selection	
Meeting expected turnaround times	<input type="checkbox"/>	
Providing data of required quality	<input type="checkbox"/>	
Not clear what we need to provide	<input type="checkbox"/>	
Extracting data from payroll	<input type="checkbox"/>	
Other - please specify	<input checked="" type="checkbox"/>	Specify (if Other)

9

How many breaches of the law have you recorded in the past 12 months?

0

9a

How many of these breaches have been determined to be material and have therefore been reported to the Pensions Regulator?

0

10

Was your Fire organisation one of the authorities where some data wasn't used to set the assumptions for the 2016 valuation?

Don't Know

10a

How concerned are you that this is an indication of poor quality data?

10b

Have you budgeted for rectifying the data issues?

11

Please confirm the data scores captured for your authority for the Common and Scheme Specific Data as required for the 2018 Pensions Regulator Survey.

Common Data

Scheme Specific Data

1992 Scheme - 97%, 2006 Scheme - 95%, 2015 Scheme - 99%

1992 Scheme - 99%, 2006 Scheme - 98%, 2015 Scheme - 97%

# FPS Employer's Survey

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12		
How many Full Time Equivalent (FTE) posts are allocated to working on FPS related matters? (Note that we are only interested in tasks that are relevant for pension purposes)		
Department	Full Time Equivalent (FTE) posts	
Finance	1	
Payroll	1	
HR	0.2	Specify (if other)
Other (please specify)		

13		
What is the total (actual not FTE) salary for all staff working on FPS related tasks in the following departments in £s? (Only count the proportion of time staff are working solely on FPS related)		
Department	Total (actual not FTE) salary	
Finance	£49,775	
Payroll	£18,431	
HR	£6,813	Specify (if other)
Other (please specify)		

14		
What is the current annual fee charged by your administrators (if external)?		
Annual Fee 2016-17 (in '000)	Annual Fee 2017-18 (in '000)	Over the next 3 years do you expect this to:
£95	£95	Increase

14b	
How are software provider costs charged?	
Select	Specify (if other)
Included (at a specified amount) within the admin fee	

15		
What is the current annual fee charged by your software provider?		
Annual Fee 2016-17 (in '000)	Annual Fee 2017-18 (in '000)	Over the next 3 years do you expect this to:
£9	£9	Stay the same

16
Do you currently have an employer self-service portal where you can transfer your data to your administrator?
Yes/No
No

17
How many complaints have you received via the Internal Dispute Resolution Procedure (IDRP) in the last 3 years?
1-5

18
Have you been issued with any fines, distress and inconvenience payments or any rectification costs within the last 3 years?
No

18a	
What has been the total of those fines/payments?	
Range of Fines/Payments	Specify (if other)

## 19

What additional (estimated) costs have you incurred for implementing/rectifying cases for the following "special" projects? (This should include internal and external costs)

Special Projects	Estimated Costs
Implementation of the 2015 Scheme [£.....]	£4,000
GAD v Milne [£ ]	£4,000
18-20 contribution holiday [£ ]	£4,000
Retrospective pensionable pay issues including Norman v Cheshire [£ ]	£25,000
GMP reconciliation [£ ]	£5,000
APB discretions [£ ]	£20,000
TPR data reporting requirements [£ ]	£1,000
Special members of the 2006 scheme [£ ]	£45,000

## 19a

What is included within your (estimated) costs?

Cost Heads	Selection	
Legal advice	<input type="checkbox"/>	
Costs of extra in-house staff time	<input type="checkbox"/>	
Administrator fees	<input checked="" type="checkbox"/>	
Other advisory fees	<input type="checkbox"/>	
Other, please specify	<input type="checkbox"/>	Specify (if other)

## 19b

What are your annual costs for other FPS-related activities?

Cost Heads	Cost (£)
IAS19 advice and reporting - £ (please provide 2018 costs)	£4,000
Provision of cashflow forecasts to home Office - £ (please provide 2018 costs)	£2,000
Other - £ per annum please specify activity - attendance at various meetings / committees	£10,000

20		
Do you believe you have sufficient access to advice and expertise in relation to the FPS?		
Yes/No	Where do you access that advice and expertise? (Please select multiple)	
	Description	Selection
Yes	Internally	<input checked="" type="checkbox"/>
	Local Support Network	<input checked="" type="checkbox"/>
	The Local Government Association	<input checked="" type="checkbox"/>
	The Home Office	<input checked="" type="checkbox"/>
	Consultants	<input type="checkbox"/>
	Other	<input type="checkbox"/>
		Specify (if Other)

21		
How easy do you find it to make decisions in relation to the FPS where the Regulations permit discretions such as in relation to pensionable pay or ill-health early retirements?		
How Easy	If difficult/very difficult, why (please select multiple)	
	Description	Selection
Difficult	Complexity of benefits	<input checked="" type="checkbox"/>
	Frequent changes in legislation, case law affecting administration	<input checked="" type="checkbox"/>
	High expectations from members	<input type="checkbox"/>
	Lack of support nationally	<input type="checkbox"/>
	Lack of support locally	<input type="checkbox"/>
	Other - please specify	<input type="checkbox"/>
		Specify (if Other)

22		
On a scale of 1-4 (1 being very poor and 4 being very good), how would you rate the guidance and support from:		
Heads	Rating	Any Comments
The Local Government Association	4	
The Home Office	3	
Regional Fire Pension Officer Group	2	

23	
Are you aware of the new Firefighters' Pension Schemes Regulations and Guidance website?	
Yes/No	Have you used this website?
Yes	Yes

23b		
On a scale of 1-4 (1 being very poor and 4 being very good), please rate the content offered on the website?		
Website	Rating	Any Comments
Content	4	
Ease of use (e.g. finding information)	4	

24
Are there any specific areas of the FPS where you think additional guidance and support is required?
Comments

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25		
Are you aware of any intentions to change the structure of your Fire organisation to become any of the following?		
Description	Specify (If others)	If Yes to any, how do you expect this to affect the costs of managing the
A Combined Authority		Stay the same

26
How would you rate your costs for administering the FPS in the context of ensuring members receive the right benefits at the right time (this question isn't about employer contribution rates)?
About right

27
If you could change one thing about the FPS, what would it be?
Remove the Modified Scheme!

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# Firefighters' Pension Scheme - Administration and Benchmarking Review

Prepared for            Firefighters Pension (England) Scheme Advisory Board

Prepared by            Alison Murray FFA, Craig Payne, Mary Lambe

Date                      30 August 2019

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# Executive Summary

## Background

The Firefighters' Pension Scheme in England ("the Scheme") provides benefits to current and former firefighters and their dependants. It comprises the 1992 and 2006 final salary schemes (both special and standard members) and 2015 career average scheme. The Scheme is managed by 45 Fire and Rescue Authorities (FRAs) on behalf of over 89,000 members<sup>1</sup>. It is unfunded with expenses for running the Scheme met by FRAs (i.e. the employers).

The Firefighters' Pensions (England) Scheme Advisory Board (the "Board") was established under the Public Service Pensions Act 2013. Its functions are to:

- provide advice in response to a request from the Secretary of State (Home Secretary) on the desirability of making changes to the Scheme,
- provide advice to Scheme Managers and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme and any connected scheme.

The Board's review of administration and management of the Scheme seeks to answer two key questions:

- (1) how much are Scheme management costs, and
- (2) how effective is the administration of the Scheme.

This report has been commissioned by, and is addressed to, the Scheme Advisory Board. In order to inform the recommendations for the Board to consider, we sought to gather evidence from key stakeholders: administrators, scheme managers/employers and members. In conjunction with the Board Secretariat we ran separate surveys for FRAs, administrators and scheme members. Responses were received from all FRAs and administrators and from 3,958 members. Aon also sought to engage with stakeholders through the Annual General Meeting and Technical Group Meeting in September 2018 and with the Fire Finance Network in October 2018 ahead of the surveys being finalised and issued.

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## Main findings

The report sets out the findings from all three surveys.

The survey responses (and non-responses) highlight areas and themes which may require attention by the Scheme Advisory Board, FRAs, administrators and Local Pension Boards in order to ensure an effective and efficient service is delivered to scheme members.

In considering the effectiveness of administration we sought to address the following questions:

- Do members receive a good service and are the right benefits paid at the right time?
- What is the administration cost per member?

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<sup>1</sup> From Fire Statistics Table 1304 2017/18 Firefighters' pension membership by membership type in England - <https://www.gov.uk/government/statistical-data-sets/fire-statistics-data-tables#fire-pensions>

- What themes emerge from the evidence?
- Could anything be done differently or better?

In order to assess cost effectiveness, information is needed on the administration costs of the Scheme. This information was not previously available, so a key element of the FRA survey was to collect data on the cost of managing the Scheme.

We then sought to consider what themes and patterns emerged from the data provided and whether anything might be done differently or better.

### **Do members receive a good service and are the right benefits paid at the right time?**

Interpretations of a good service may vary but as minimum, a good service should be in line with what is legally required. Based on responses from administrators and FRAs we cannot be sure that the right benefits are paid at the right time to all members of the Scheme. The responses received suggest that not all administrators are working to legal timeframes. The Board may wish to address this.

Complaints through the Internal Dispute Resolution Procedure (IDRP) are low however more members indicated that they strongly disagree that they get information that is concise and clear than those who strongly agreed with that statement.

We are living in a time of continuous digital development, and members expect to have access to digitalised platforms. 64% of administrators do not provide members with an online self-service facility, although over half have indicated that they plan to do so in the near future. Greater use of online capabilities could help provide a more consistent and overall better administration service to members.

There are also challenges for some FRAs in the provision of data to administrators, understanding and removing those challenges should help improve the service members receive.

### **What is the administration cost per member?**

Not all FRAs provided cost data and there were gaps in the data even where data was provided. The information provided is summarised in Appendix 1. Our analysis of the data provided by FRAs indicates that the cost of administering the Scheme was £76.90 per member in 2018 (taking into account internal FRA staffing costs and external administration and software costs but excluding the cost of special projects). This rose to £120.33 once the costs of special projects were taken into account.

This compares to around £30 per member for 2017/18 for the Local Government Pension Scheme (LGPS) in England and Wales<sup>2</sup>. While also locally managed, the LGPS is a materially larger scheme and hence it may not be realistic to assume that the Scheme could be administered for a similar cost. Conversely, the LGPS is a multi-employer and funded scheme so some of its costs will relate to advice and administration work

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<sup>2</sup> From data published by MHCLG:  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/748759/LGPS\\_England\\_and\\_Wales\\_2017-18.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/748759/LGPS_England_and_Wales_2017-18.pdf) including administration and oversight and governance costs.

associated with the notional allocation of assets to employers and other funding arrangements which do not apply to the Scheme.

The most recently available data for private sector schemes was published by the Pensions Regulator (TPR) in 2014<sup>3</sup>. The data considered costs in 2012 and found that the average per member costs were as follows:

- £182 for schemes above 5,000 members based on 24 schemes,
- £281 for schemes with between 1,000 and 4,999 members, based on 75 schemes,
- £505 for schemes with between 100 and 999 members based on 106 schemes.

We would expect that the costs of managing the Scheme should be materially lower than for private sector schemes because:

- private sector schemes are funded so their costs will include the monitoring of investments and asset managers and actuarial valuations as well as covenant assessments and monitoring of the sponsoring employer(s),
- there are additional compliance requirements for private sector schemes, including provision of information to the Pensions Protection Fund and to TPR and annual funding statements to members.

TPR's report shows that allowing only for administration costs, the average per member costs were:

- £53 per member for schemes above 5,000 members (25 schemes);
- £89 per member for schemes with between 1,000 and 4,999 members; (77 schemes); and
- £172 per member for schemes with between 100 and 999 members (110 schemes).

It is difficult to draw too many conclusions from the data as we cannot guarantee a like-for-like comparison and the administration costs for private schemes above exclude legal and actuarial fees. However, on the face of it, the cost of administering the Scheme does seem quite high relative to both the LGPS and largest private sector schemes (although TPR's data set for the largest schemes was very small). Ensuring complete and accurate data on costs which is monitored year-on-year should assist the Board in determining whether the Scheme is being administered cost effectively.

#### **What themes emerge from the survey data?**

A number of themes have emerged across the following areas:

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<sup>3</sup> From research covering seven cost areas including administration, independent trustee fees, actuarial, legal, covenant, investment and other external costs published by TPR:  
<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/db-scheme-costs-research-2014.ashx>

- Complexity of the Scheme: Across each of the surveys scheme members, administrators and FRAs indicate concern about the complexity of the Scheme benefits and the challenges that creates.
- Relationships: The findings from the surveys appear to indicate that the interactions between administrators and FRAs and the perception of the relationship is reasonably positive. Some FRAs identified frustrations with separate payroll and pensions systems.
- Reporting: Reporting activity between the administrator and FRA, both in terms of what is reported, and its frequency appears to be very variable across the Scheme. These findings provide strong evidence to suggest that greater prescription in relation to the reporting requirements may be needed.
- Data: 16 FRAs indicated that they sometimes have difficulties providing data to the administrator due to quality of data issues or where there is a lack of clarity around what is actually required by the administrator. There is a need to consider improving how data is transferred for some administrators and FRAs given over one-third in both surveys indicated that they do not currently operate an employer self-service facility.
- Engagement and communication: The perception of the majority of administrators is that Scheme members have greater expectations than members of other schemes they administer. There was also concern about whether all members understood the information they received. Furthermore, not all members have a website provided locally by their FRA/administrator and almost two-thirds don't have online self-service capabilities.
- Breaches: The survey responses indicate that there are very few breaches of the law in the Scheme. Just one administrator indicated that they had 2 breaches over the past 3 years (both of which were reported to TPR). These statistics are surprisingly low and don't appear to align with data from TPR's 2018 Governance and Administration Survey.
- Costs: The gaps in the provision of information on Scheme costs suggests that this information is not currently readily available for all FRAs. This is not necessarily a surprise given it has not been collected before but is an area the Board may wish to address.

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## Recommendations

Based on the findings of the surveys of administrators, FRAs and scheme members and following discussions with the Board Secretariat and Administration and Benchmarking Committee we have identified 7 areas for the Board to consider with the aim of ensuring the effective and efficient administration of the Scheme.

These include:

1. Address complexity through:
  - a. Scheme changes and structure: Including reduction in local decision making, greater regard to administrative implications of legislative changes and review of current structure to ensure model of delivery is fit for purpose.

- b. Improving monitoring: Both at local and national level to enable greater clarity on the areas of complexity impacting standards.
  - c. Further engagement and communication: Greater use of technology to enhance member experience and encourage greater engagement from FRAs and administrators to use information and communications already centrally available.
2. Encourage greater collaboration across the Scheme and introduce consistent standards to address data issues and ensure members receive a consistently good service regardless of location.
  3. Ensure there is clarity on timescales for key administrative processes, e.g. through a requirement to publish a locally developed Administration Strategy.
  4. Encourage greater engagement between administrators and FRAs including stronger links between both on performance monitoring as well as greater role for Local Pensions Boards.
  5. Reduce key person risk and ensure resource plans are in place.
  6. Better understanding and recording of breaches of the law.
  7. Develop a template for collection of administration and associated costs on an annual basis, with the information on costs then being published, enhancing transparency and understanding of the costs of running the Scheme in support of the Board's functions.

This is the first time such an exercise across the Scheme has been undertaken. This work should therefore be seen as the first step towards using an evidence-based approach to ensure the effective and efficient administration and management of the Scheme.

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## Acknowledgements

Aon and the Board Secretariat have been delighted with the level of engagement and support both in response to the surveys and the lively and productive debate during direct sessions with stakeholders. Our thanks go to all of those who participated in and publicised the surveys, as well as contributors who added to the success of the discussions, including:

- Representatives from administrators who responded to their survey
- Representatives from employers (i.e. FRAs) who responded to their survey
- Scheme members and their representatives who responded to their survey
- Members of Technical Group who provided invaluable views during discussions on this project
- The Administration and Benchmarking Committee of the Board who provided invaluable support and views during discussions
- The Fire Finance Network for their comments and thoughts on the survey format and content ahead of that being issued.

For Aon particular thanks are given to Board Secretariat who assisted in obtaining employer and administrator responses as well as issuing

promotional material to encourage member engagement with their survey. Without the help and support of all key stakeholders this report would not have been possible.

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# 1. Introduction

## Addressee and objectives of this report

This report has been commissioned by, and is addressed to, the Scheme Advisory Board ("the Board"). The remit of this work is to assist the Board in the exercise of its statutory functions by answering two key questions:

- How much are Scheme management costs, and
- How effective is the administration of the Scheme?

In order to address these questions, we have sought to ascertain:

- whether members receive a good service and whether the right benefits are paid at the right time?
- the explicit, implicit and extra costs of the Scheme, to establish an administration cost per member.
- any themes in the findings from the responses to our surveys or from other engagement with stakeholders.
- whether anything could be done differently/better.

Our role has been principally to engage with stakeholders, listen to their feedback and gather data. Where it has been necessary to interpret the information provided we have discussed and agreed our approach with the Board secretariat. Details of any assumptions made are set out in the relevant section alongside the evidence.

This is the first time such a comprehensive review of the administration of the Scheme has been undertaken. This work should therefore be seen as the first step towards using an evidence-based approach to ensure the effective and efficient administration and management of the Scheme.

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## Overview of the Scheme

The Firefighters' Pension Scheme (England), "the Scheme", is a statutory defined benefit occupational pension scheme providing pensions to current and former fire and rescue workers in England, both retained and regular, and their dependants. Scheme rules<sup>4</sup>, made at national level, govern three different sections of the Scheme including the Career Average Revalued Earning Scheme (CARE) introduced from 1 April 2015 (2015 Scheme) and the 1992 and 2006 Schemes (including special members of the 2006 Scheme).

The Scheme is unfunded, operating on what is known as a 'pay-as-you-go' basis. This means there is no pool of assets from which to pay pensions; instead contributions are paid by the Fire and Rescue Authorities (FRAs)<sup>5</sup> and members with the balance of those contributions over and above benefits payable to members paid to or from HM Treasury. Scheme expenses are met by FRAs but are not separately identified. Only benefit payments to members are identified in the Notional Accounts which Scheme Managers are required to

<sup>4</sup> See <http://fpsregs.org/index.php/regulations> for full list of regulations governing the Scheme.

<sup>5</sup> Throughout this report employers are referred to as FRAs or Fire and Rescue Authorities. We recognise that other types of employers exist, and this description is intended to cover all employers who act as Scheme Managers in the Scheme.

produce. The Scheme is subject to an actuarial valuation every four years which assesses the value of pensions being built up and is used to set employer contributions.

Management of the Scheme is undertaken locally through 45 FRAs. In many cases they outsource the administration to a dedicated administrator, but the FRA retains responsibility for the administration as the Scheme Manager<sup>6</sup>.

New governance arrangements, introduced following the Public Service Pension Act 2013 required the establishment of a Scheme Advisory Board at national level and Local Pension Boards, with effect from 1 April 2015.

## Stakeholders

The Scheme has a number of key stakeholders all playing a role in its effective administration including administrators, FRAs (i.e. employers) and their representatives, and scheme members and their representatives. Within the governance structure the Local Pension Board is a key stakeholder, as is the Home Office as Responsible Authority and more widely the needs of taxpayer and HM Treasury are important within the context of effective and efficient administration.

### Administrators

The Scheme has 19 administrators including third party providers and in-house administration teams. The precise details of their role will depend upon the contractual arrangements where administration is carried out by a third party provider but will generally include paying pensions, issuing annual benefit statements and other aspects of the day to day running of the Scheme. See Appendix 3 for a full list of Scheme administrators in England.

### Scheme Managers

The Scheme has 45 Scheme Managers (as defined in the Scheme rules) as summarised in the table below:

Type of Fire and Rescue Service	Number
County Council	4
Combined Fire and Rescue Authorities	19
Combined Authority (Mayoral)	1
Police and Fire Crime Commissioners	4
Metropolitan Fire and Rescue Authorities	5
London Fire Commissioner	1
Unitary Authority	11

The Scheme Manager has responsibility for managing and administering the Scheme including:

- Calculation and payment of benefits
- Decisions and discretions
- Disclosure of information

<sup>6</sup> Section 7 of the Public Service Pensions Act 2013 and The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015 and see LGA factsheet <http://fpsregs.org/images/admin/Schememanagerv1.pdf> for more information on the governance structure for the Scheme.

- Record keeping
- Internal controls
- Internal Dispute Resolution
- Reporting breaches of law
- Statements, reports and accounts

FRAs are also the employers within the Scheme. See Appendix 3 for a full list of FRAs.

### Scheme members

The Scheme has over 89,000 members with representation through the Fire Brigade Union, Fire Officers' Association, Fire Leaders Association and Fire & Rescue Services Association.

### Total number of scheme members (autumn 2018)

	Total
<b>Number of pensioners</b>	42,732
<b>Total deferred members</b>	13,419
<b>Active regular members</b>	23,853
<b>Active retained members</b>	9,848

(Source: Home Office, Fire Statistics Table 1304)

### Governance structure and management of the scheme

The requirements of the Public Service Pensions Act's governance provisions were implemented by the Firefighter Pension Scheme (Amendment)(Governance) Regulations 2015 and brought into being two new entities:

- **Local Pensions Boards**, whose role it is to "assist" the Scheme Manager to secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and any requirements imposed by the Pensions Regulator (TPR) in relation to the Scheme. The Board also assists the **Scheme Manager** to ensure the effective and efficient governance and administration of the Scheme.
- A national **Scheme Advisory Board**, whose function is to provide advice as requested by the Secretary of State on the desirability of making changes to the Scheme and also to provide advice to the Scheme Managers and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme.

Both Local Pension Boards and the Scheme Advisory Board have key roles in respect of the effective and efficient administration of the Scheme and the findings and recommendations in this report are expected to aid them in their respective roles. It should be noted, however, that a review of the governance arrangements themselves is outside the scope of this report.

The Responsible Authority for the management of the Scheme is the Home Office taking over from what is now the Ministry of Housing, Communities and Local Government in January 2016. The Home Office

makes the Scheme regulations, which will specify the Scheme Manager and the matters for which the Local Pension Board is responsible.

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### **Acknowledgements**

We would like to thank the administrators, FRAs and scheme members who responded to the survey and to the Board, the Administration and Benchmarking Committee, Technical Group and the Fire Finance Network for their support. Particular thanks are given to Board Secretariat who assisted in obtaining employer and administrator responses as well as issuing promotional material to encourage member engagement with their survey. Without the help and support of all key stakeholders this report would not have been possible.

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## 2. Engagement with stakeholders

### Approach

Maximising the depth and accuracy of the underlying data is key to ensuring valid conclusions can be drawn from the evidence provided and that the Board can develop appropriate actions using the recommendations set out in this report. We sought to engage with all of the key stakeholder groups, recognising that each would have a different perspective on the effectiveness and quality of administration. The data gathered is summarised in Appendix 4.

Key stakeholder groups with whom we engaged:

- Scheme members;
- Administrators;
- FRAs (i.e. employers/scheme managers).

We sought to engage with these stakeholders ensuring we did not prejudge the issues or lead respondents. The findings from this engagement have been instrumental in identifying the recommendations in this report.

Our approach also involved us maintaining an active dialogue with the Board secretariat through conference calls and face to face meetings, as appropriate, to monitor progress and discuss emerging themes as well as discussions with key groups during the project.

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### Summary of surveys / meetings / discussions during project

The primary method of collecting data for this exercise was through 3 surveys which included factual, perception and financial questions:

- Survey for FRAs (i.e. the employers/scheme managers) - 27 questions asking about their perception of the effectiveness and cost of Scheme administration and management
- Survey for administrators - 29 questions for administrators on resourcing structure, issues faced with when administering the Scheme and relationship with FRAs
- Survey for Scheme members - 8 questions for members asking about their experience including accuracy, timeliness and effectiveness of communications.

We also sought to engage with stakeholders through the Annual General Meeting and Technical Group Meeting in September 2018 and the Fire Finance Network in October 2018 ahead of the surveys being finalised and issued.

The surveys for FRAs and administrators went live on 23 November 2018 with an original deadline of 31 December 2018. By the original deadline only 60% of administrators and 33% of FRAs had responded to the surveys. Given the outstanding responses the deadline was initially extended to 14 January 2019 with a final extension to 31 January 2019. A 100% response rate was achieved although not all questions were answered for example FRAs did not all provide full information on costs. The initial challenge to achieve a full response rate may reflect the fact

that this is the first time such an exercise has taken place within the Scheme.

The members survey, which was open to all members (i.e. all active, deferred, pensioner and dependent members) went live on 21 January 2019 and closed on 28 February 2019.

### Responses to surveys

	Administrator Survey	FRA Survey	Member Survey
<b>Total received</b>	45/45 (100%)	45/45 (100%)	3958 <sup>7</sup>

Please note that while we had a very healthy response rate, not all questions were answered by all respondents.

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### Data confidentiality

All data received by Aon has been treated as confidential/commercially sensitive and stored in locked electronic filing whose access is limited to the project team. Surveys were submitted to Aon using password protected spreadsheets and data used is reported in aggregate with no identifiable information included so no data can be attributed to a specific organisation. Furthermore, where data is displayed for a range of administrators or employers it is randomised to minimise the chance that individual FRAs or their administrators can be identified.

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### Data limitations

For the Employer and Administrator surveys each FRA and their respective administrator were asked to provide data for their organisation. Where possible we have checked the data, but we are not able to independently verify the accuracy of this data and the conclusions set out in this report are reliant on the accuracy of the data provided. Where it has been necessary to interpret the information provided we have discussed and agreed our approach with the Board secretariat. Details of any assumptions made are set out in the relevant section alongside the evidence.

There are 45 FRAs in England however we received 44 responses due to the fact that the Isle of Scilly data was captured within the response for Cornwall Fire and Rescue authority (for both the administrator and FRA surveys).

It was made clear at the launch of the surveys (and in the instructions tab of the survey) that responsible personnel in different areas within the FRA/administrator would need to be consulted given the range of areas covered in both surveys. We have evidence that suggests this wasn't the case for all respondents. Correspondence from some FRAs highlights concerns that responses were not collated across the organisation but completed by one or a limited number of individuals.

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<sup>7</sup> Comprised of 1,634 active members regular (or 6.85% of total active membership), 2,240 pensioners (or 5.24% of total pensioner membership), 84 deferred members (or 0.62% of total deferred membership).

For the administrator survey we also made it clear that it should not be shared and completed by the FRA and vice versa for the employer survey but we cannot guarantee that has happened place in all cases.

It should be noted that:

- We have assumed that all views expressed on the performance (actual and perceived) of the mirroring administrator/FRA were honest and representative. We cannot guarantee this has been the case.
- We have had non-responses to some questions within the surveys. Where that has impacted on our analysis we have highlighted that in the report. For example, averages in tables have excluded nil responses.

In the sections which follow we summarise the key findings from the survey for each stakeholder group.

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### 3. Administrator findings

#### Introduction

The responses to the administrator survey provided information on timescales relating to payment of benefits and key administrative processes, insights into resources, the administrators' relationships with the FRAs and the issues they are currently facing.

The findings represent the views of a range of in-house and third-party administrators; 19 in total providing services to the 45 FRAs. Key themes include the complexity of the Scheme and the variability of administrative timescales for key processes. We acknowledge that administrators vary in size and the range of FRAs which they provide services for (i.e. there are administrators that carry out functions for multiple FRAs and also administrators that carry out functions for 1 FRA).

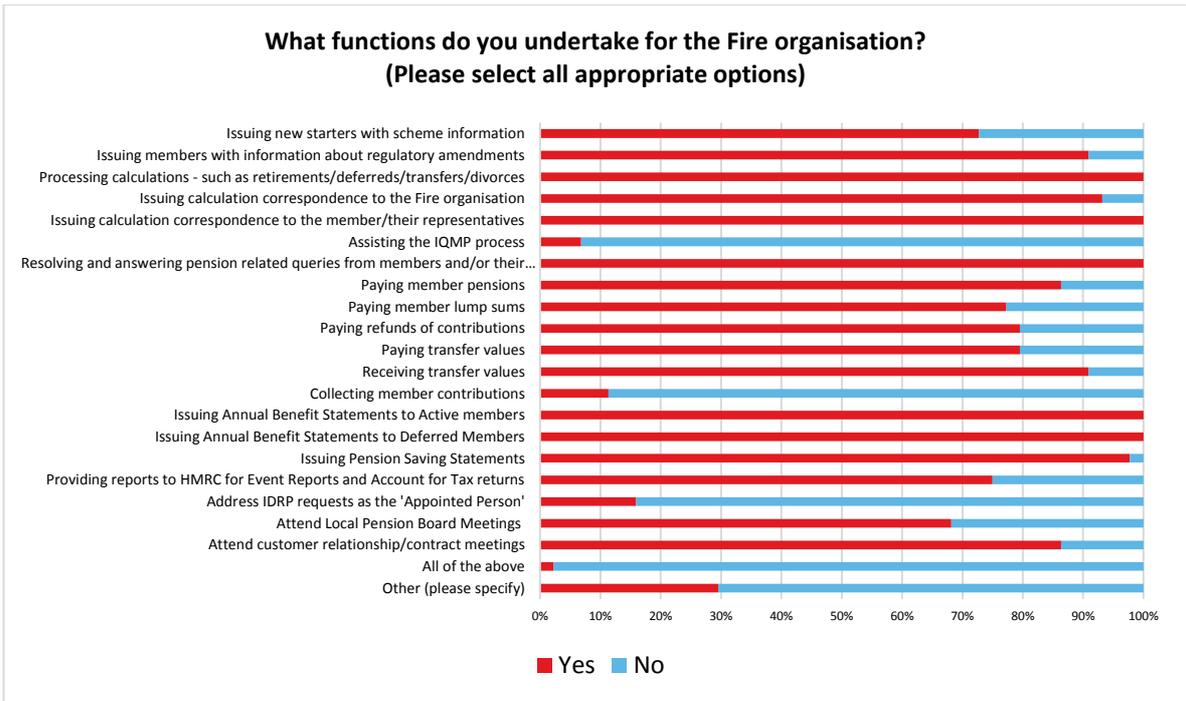
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#### Functions provided by administrator

- Input from administrators at the Technical Group meeting indicated that where a third-party administrator is employed the scope of the work undertaken can vary depending on the contractual arrangements. In order to ensure a like-for-like comparison in relation to costs and effectiveness, as well as to better understand the different models in place, the survey asked administrators to indicate which functions they undertake for the FRA. 20 functions were listed and are set out in the chart below.

In 5 areas all administrators carried out the following functions:

- Processing calculations, e.g. retirements, deferred, transfers, divorces
- Issuing correspondence to with members/their representatives on such calculations
- Resolving and answering pension related queries from members/their representatives
- Issuing Annual Benefit Statements to active members
- Issuing Annual Benefit Statements to deferred members

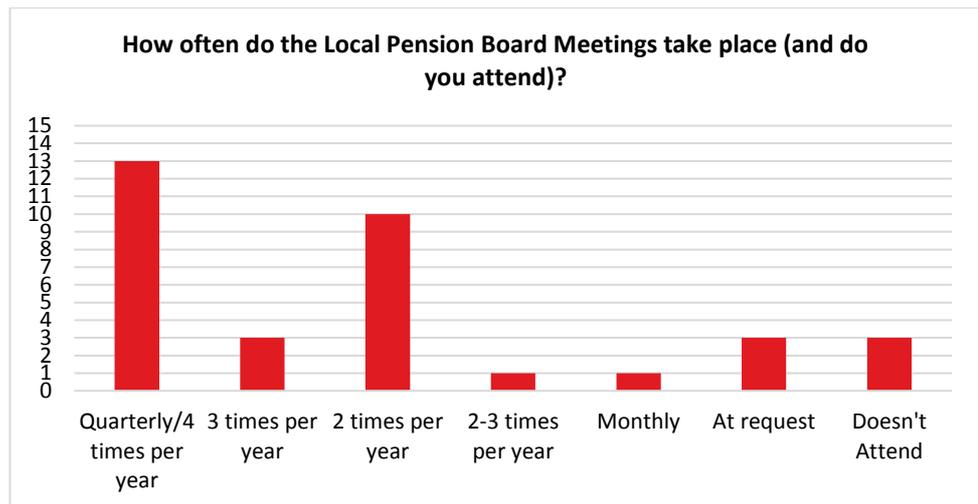


The variation across the functions that administrators undertake for the FRA clearly demonstrates the variety in the contracts and agreements in place across the Scheme.

There does not, however, appear to be a strong correlation between the number of functions carried out by the administrator and the cost of the service, as demonstrated by the chart in Appendix 2. It is possible that this is due to incorrect responses in relation to which functions are carried out or incorrect costing information being provided by the FRA. Further information on administration-related Scheme costs are set out in the next section, which considers responses to the survey issued to FRAs.

In relation to 'other areas' administrators representing 24 FRAs provided comments. 12 indicated they provided communications support and outlined that they provided 5 presentations every year. Others also provide pensions roadshows, new recruit and pre-retirement presentations for members and FRA training.

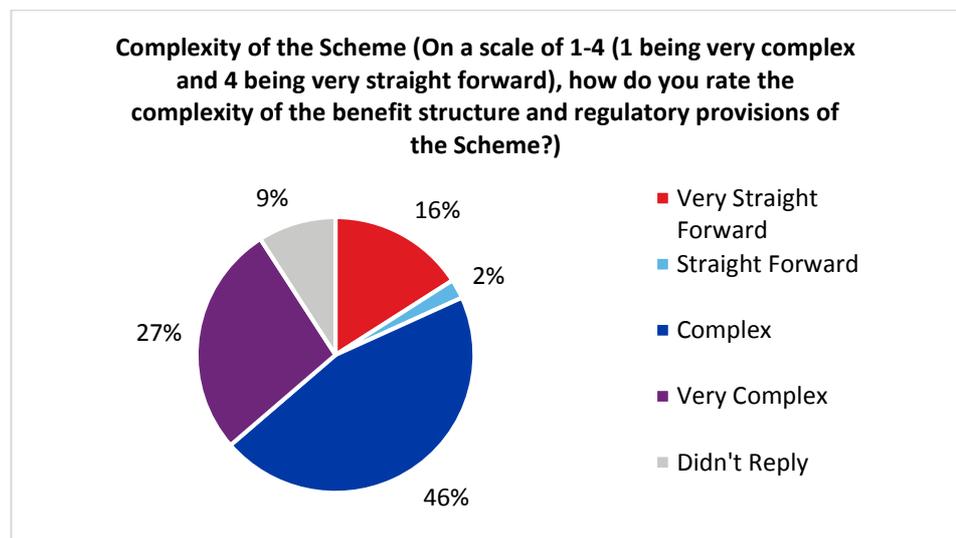
Given the role of Local Pension Board, we asked administrators about their attendance at Local Pension Board meetings. Administrators representing 34 FRAs confirmed they attend those meetings. We also asked about the frequency of these meetings, principally to try to understand how much work might be involved in supporting those meetings.



The effectiveness of each Local Pension Board and governance in general is outside the scope of this report.

**Complexity of the scheme**

The majority of administrators believe the benefit structure and regulatory provisions of the Scheme are very complex (12 responses) or complex (20 responses), with only administrators in respect of 7 FRAs indicating they believe that the Scheme is straight forward. It is worth highlighting that the 7 FRAs represented are not made up from 1 administrator.



There isn't comparable data from before the 2015 Scheme was introduced but it seems likely that the establishment of a new scheme, together with the transitional arrangements will have added to the complexity. In addition, the Scheme is unique in having separate arrangements across different tranches of members in the 1992, 2006 (both special and standard members) and 2015 Schemes.

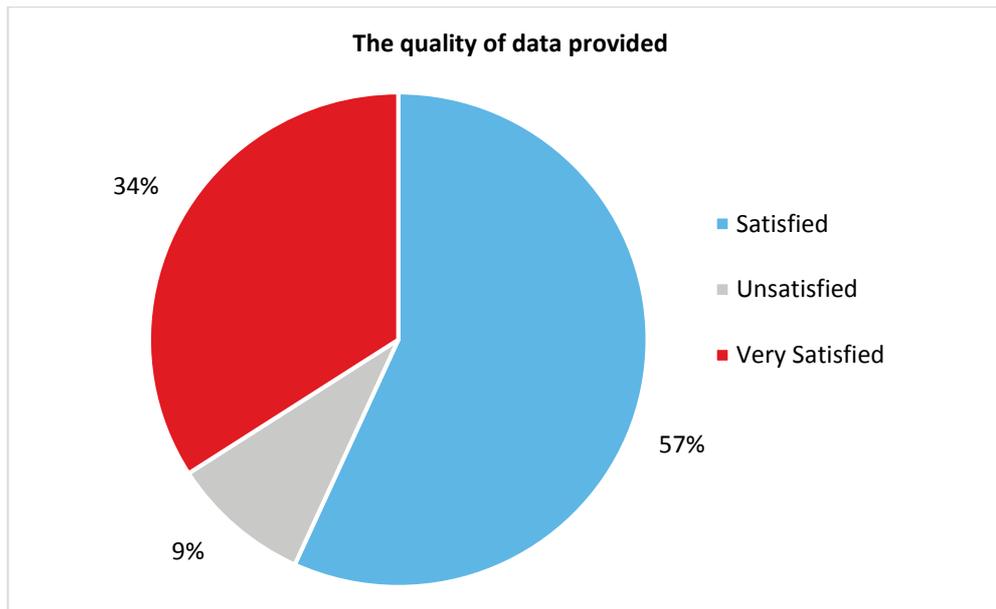
**Structure / information in place**

**Service Level Agreements (SLA)**

A significant majority of administrators (nearly 89%) have an SLA in place with their FRA. While the existence of an SLA does not itself guarantee effective administration, it should materially reduce the likelihood of any functions falling between the Scheme Manager and administrator.

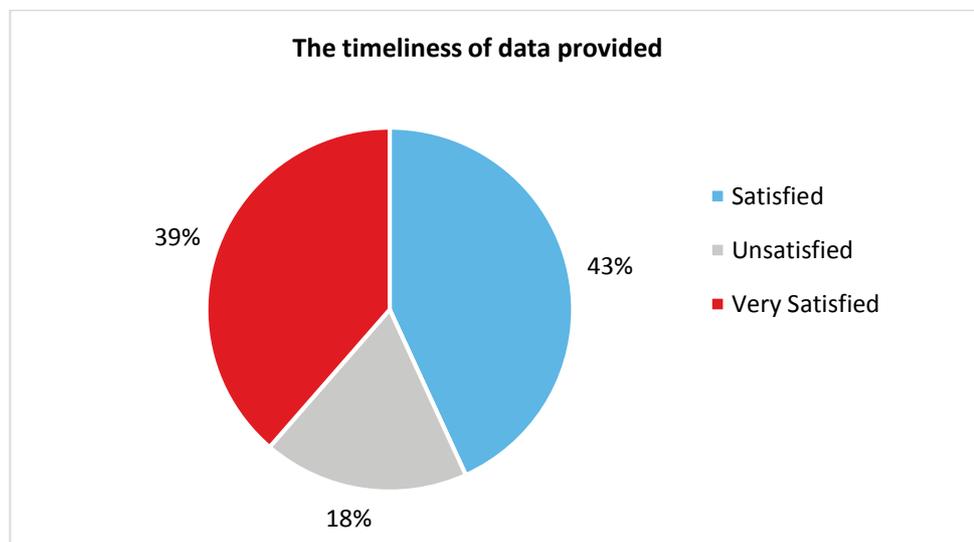
**Data quality provided by FRAs**

The quality of administration is dependent upon information supplied by the FRA in relation to its employees and their circumstances. Overall administrators do not seem to have any concerns with the quality of data that the FRA or any third-party providers, with 91% being satisfied or very satisfied.



**Data timeliness**

Responses to the survey suggest a high level of satisfaction with the timeliness of data provided by the FRA or any third party, with just a few responding that it is unsatisfactory.



## Reporting

### Performance reporting

Perhaps not surprisingly given the high levels of satisfaction with the quality and timeliness of data provided by FRAs, it is not common for administrators to report back to the FRA on the FRA's performance with only 41% indicating that they did so. Conversely almost all administrators (89%) report their own performance to the Scheme Manager. This is expected given the range of outsourced and third-party arrangements in place for Scheme administration.

### Scheme level reporting information to TPR (Inc. common and scheme specific data)

Administrators were asked if they had provided the FRA with data scores for Common and Scheme Specific data in the 2018 return and 82% confirmed their common data score and 73% confirmed their scheme specific data score.

The survey also asked for details of the data scores which were submitted. It may be difficult to draw too many conclusions given this was the first year that public service schemes had to submit data scores to TPR and there was no nationally agreed approach on how data accuracy should be measured for this purpose, although the LGA did issue guidance on reporting the scores<sup>8</sup>.

The results show an interesting range of scores:

- from 78% to 100% scores for common data (based on responses from 38 administrators),
- from 62% to 100% (excluding one very low score which was submitted by the administrator to the FRA "to interpret" rather than being submitted to TPR) for Scheme specific data, based on responses from 34 administrators.

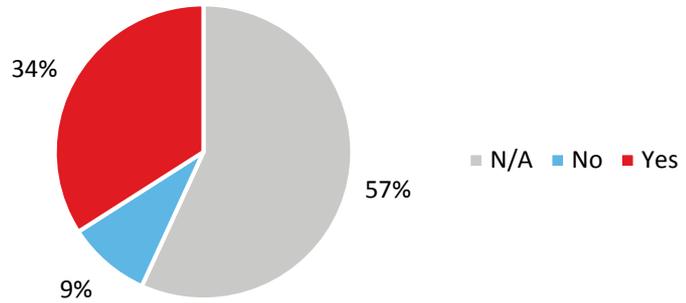
In most, but not all, cases the common data score was higher than the scheme specific score.

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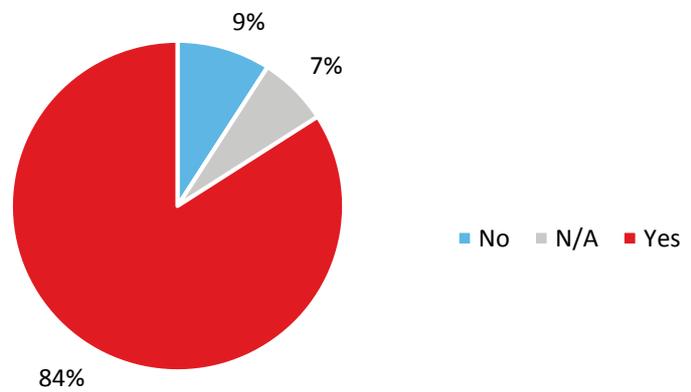
<sup>8</sup> <http://fpsregs.org/images/admin/TPRdatascoring0818.pdf%20>



**Where you are not satisfied with the information provided by the Fire organisation, do you propose improvements to the Fire organisation?**



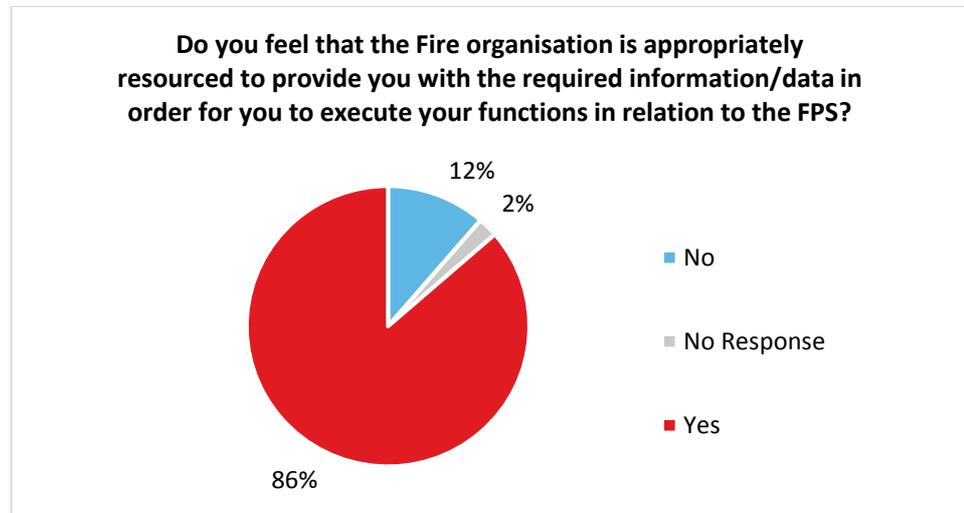
**Where you are not meeting your SLAs, do you propose improvements to the Fire organisation?**



## Perception of employer

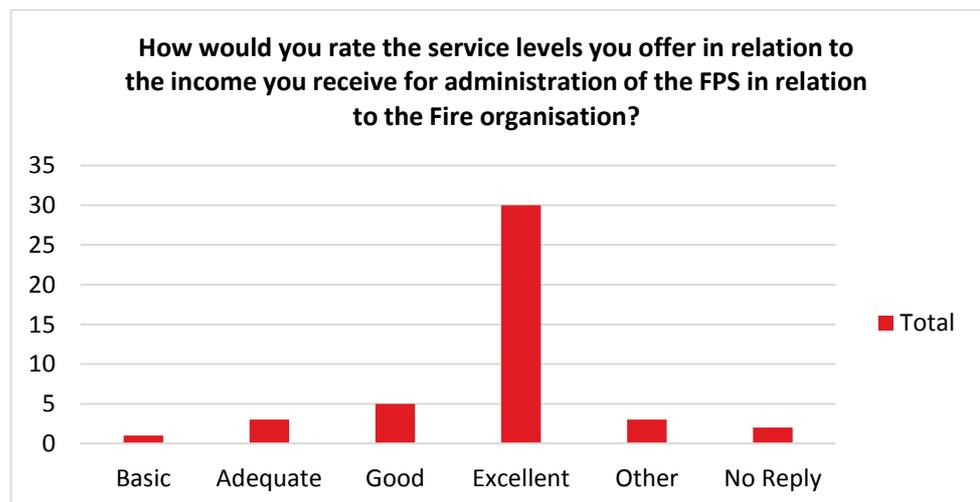
### Appropriately resourced

A significant majority of administrators believe that the FRA is appropriately resourced to provide the required information and data to enable them to perform their functions in relation to the Scheme.



### Service provided alongside income received from FRA

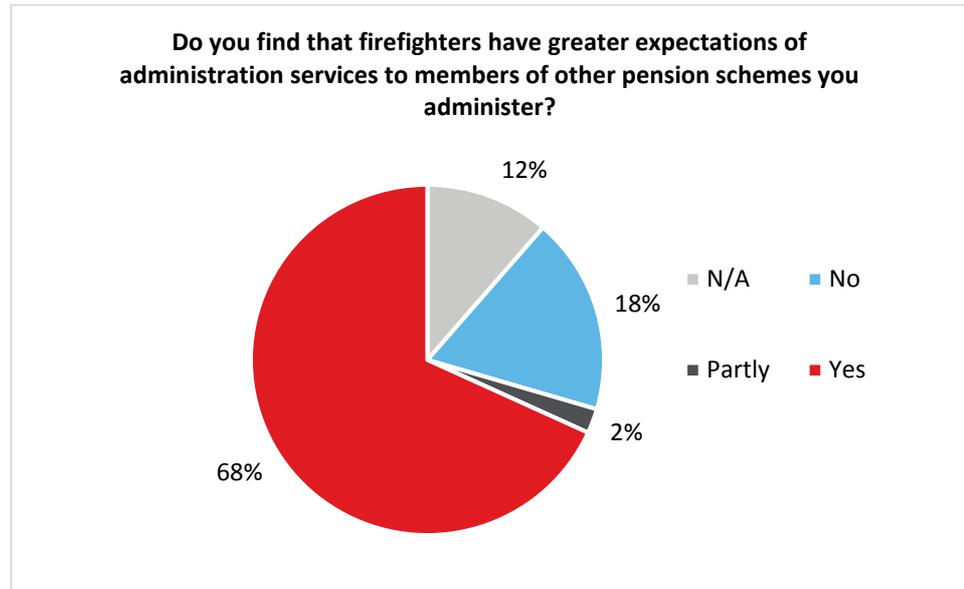
Administrators were asked how they rated the service levels offered in relation to the income they receive from the FRA. A significant number of respondents (30) gave themselves an excellent rating. 33 FRAs rated their costs for administering the FPS in the context of ensuring members receive the right benefits at the right time as being "about right" with only 7 indicating that costs were too high.



## Perception of members

We wanted to test whether anecdotal evidence that firefighters ask more questions of their administrators than is typical in other schemes, perhaps due to greater interest and understanding of the Scheme and the importance of pensions as part of their remuneration package, was reflected in the experience of the administrators. The survey results showed that the majority of administrators do perceive that members of

the Scheme have greater expectations of administration compared to members of other schemes they administer.



**Scheme Communications**

**Received by members**

Almost all administrators are confident that the information sent to members is received with only one administrator indicating they are unsure.

**Understood by members**

Not all administrators are as confident that members understand the information they receive with 50% indicating they felt unsure about whether members completely understood information they received.

**Dedicated website**

73% of administrators have a dedicated website for firefighters in place. Of those who don't, very few (7%) are considering implementing a website soon. It is our understanding that the implementation of a national member website is currently on the workplan of the Communications group and is being progressed through the Board Secretariat. This will help ensure that member-facing online information is consistent and of the highest quality alongside being easy to understand.

We reviewed the survey results to assess if those without a website were typically administered in-house or by a third-party provider but found that those who reported no website or failed to provide an answer were both types of administrators.

**Online member self-service**

There is limited use of online self-service facilities by administrators. Of those who provided a response to this question 16 indicated they had such facilities and 13 indicated that they didn't have online self-service facilities for members. Of those who don't currently have online self-service 9 indicated they are planning to offer such facilities in the near future. As it is a national Scheme ideally all members would have access

to the same level and quality of information irrespective of their FRA and administrator. The Board may wish to consider what steps can be taken to reduce this variability particularly given the expected move towards Pensions Dashboards within the UK pensions industry.

### **Online employer self-service**

14 administrators indicated that employers transfer data electronically and securely directly to them. 12 administrators indicated they haven't got that facility and the remainder failed to respond. Of those who don't have the facility at present, there are limited plans for future implementation, with only 3 indicating they are considering it. The remainder did not reply to the question on future plans.

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## **Breaches**

Administrators were asked how many breaches of the law were recorded in the past 12 months in relation to the FRA. One administrator had reported 2 breaches of the law to the FRA.

However, this does not appear to align with the information TPR has recently reported from its 2018 Governance and Administration Survey. At the Public Service Pensions Governance Conference for Fire and Police Local Pensions Boards in May 2019 TPR representatives indicated that:

- 78% of administrators/FRAs met the Annual Benefit Statement (ABS) deadline but only 11% reported missing the deadline to TPR.
- 17% of administrators/FRAs identified non-ABS breaches however only 2% were reported to TPR<sup>9</sup>.

This lack of reporting is concerning given the legal requirement to do so. The inconsistency between the information provided by administrators and FRAs (as detailed in the next section) and that provided by TPR also demonstrates the inconsistency in recording of breaches across the Scheme.

It is not clear whether the apparent inconsistency between TPR's findings and responses to our surveys is down to breaches being reported by the Scheme Manager not the administrator (e.g. where the latter is a third-party provider), or a change in reporting behaviour. The Board may wish to reflect on whether this should be investigated further and consider what information might be available from Local Pension Boards given their role in supporting Scheme Managers to comply with the law. The participation of administrators in Local Pension Board meetings should assist in relation to the recording and reporting of breaches given that 68% of administrators attend those meetings.

We also note that information is provided centrally to support FRAs, administrators and Local Pension Boards in the area of breaches including a breach assessment template<sup>10</sup> for recording all breaches and reporting those which are materially significant to TPR. The Board may wish to reflect on what, if anything, can be done to improve use of centrally provided guidance.

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<sup>9</sup> <https://www.local.gov.uk/sites/default/files/documents/Governance%20and%20admin%20survey%20update%20-TPR%20WEB.pdf>

<sup>10</sup> <http://www.fpsboard.org/images/LPB/Resources/Breachassessment210119.docx>

## Administration

### Statutory deadlines and reporting of administration performance

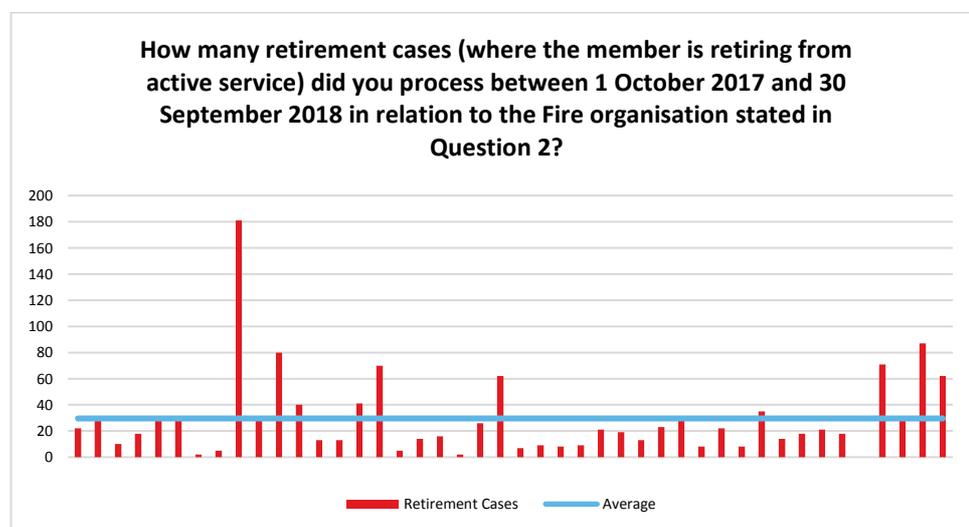
89% of administrators measure their performance against statutory deadlines for processing cases such as issuing retirement options, deferred benefit entitlements or transfer cases. However just under half of administrators (48%) report that performance to the FRA or their Local Pension Board.

### Retirements

In order to try to assess the volume of work and performance of administrators we asked them to provide information on retirement cases. Specifically,

- the number processed,
- timescale for issuing options and % options completed in timescale,
- timescales for completing cases and % retirements completed in timescale.

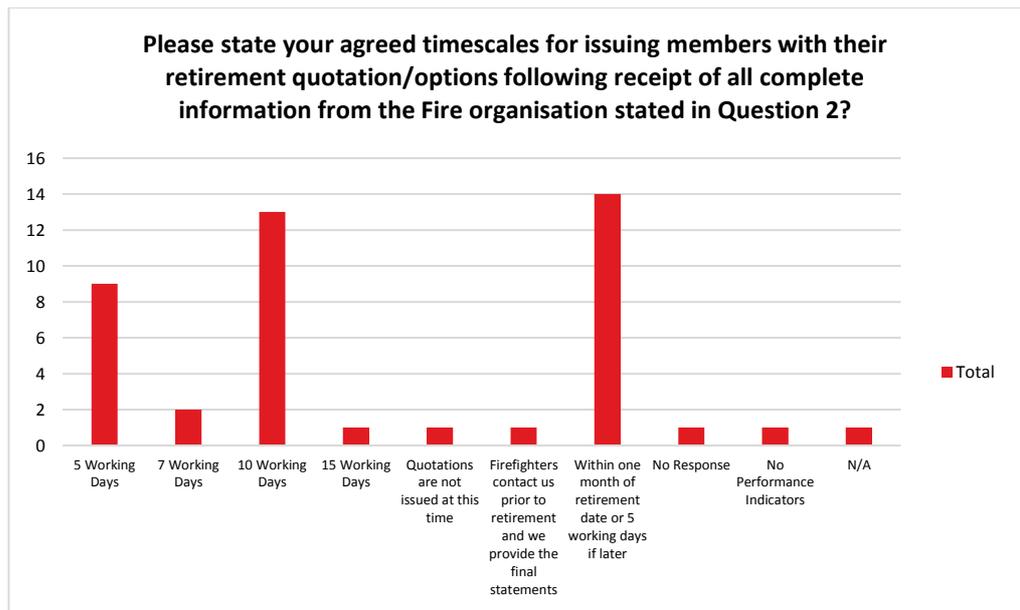
The number of retirements from October 2017 to end September 2018 for members retiring from active service ranged from 0 (no information entered on return) to 180 cases across the 45 FRAs.



*\*Averages in above table exclude nil responses*

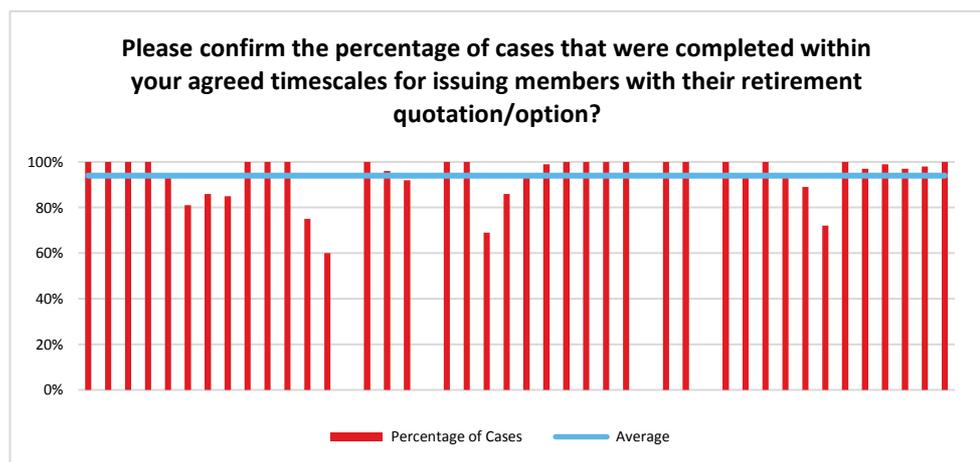
The range does appear to reflect the size of the FRA - the 7 administrators with over 60 retirements in the period 1 October 2017 and 30 September 2018 have over 1,000 active members each with the exception of one which has 500-1000 active members.

There is a range of timescales in place for retirement quotations and options following receipt of all complete information from the FRA. The majority of administrators have a one-month turnaround from retirement (or 5 working days if received later than retirement date) but there is a range of timescales as set out below. Three respondents don't appear to have agreed timescales: one respondent indicated that timescales were not applicable, one confirmed they have no performance indicators in place and another didn't respond.



The percentage of cases completed within agreed timescales for issuing members with their retirement options/quotation ranged from 60% to 100% with 5 non-responses. Although we cannot say conclusively, it is possible that the non-responses reflect the fact that this performance is not being measured or captured.

For those meeting their targets 100% of the time (i.e. 19 administrators) there are a wide range of timescales so we cannot infer any link between meeting the timescale and longer timescales for issuing retirement quotation/options.

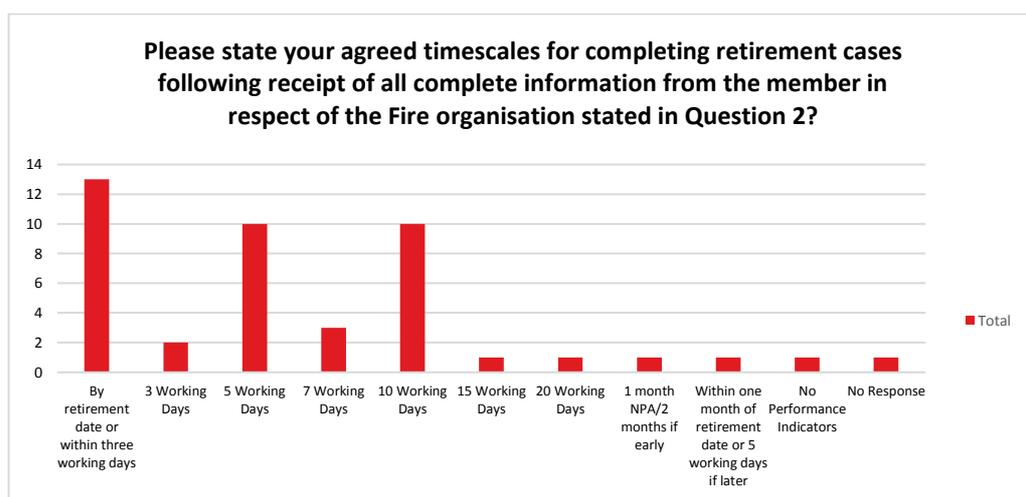


*\*Averages in above table exclude nil responses*

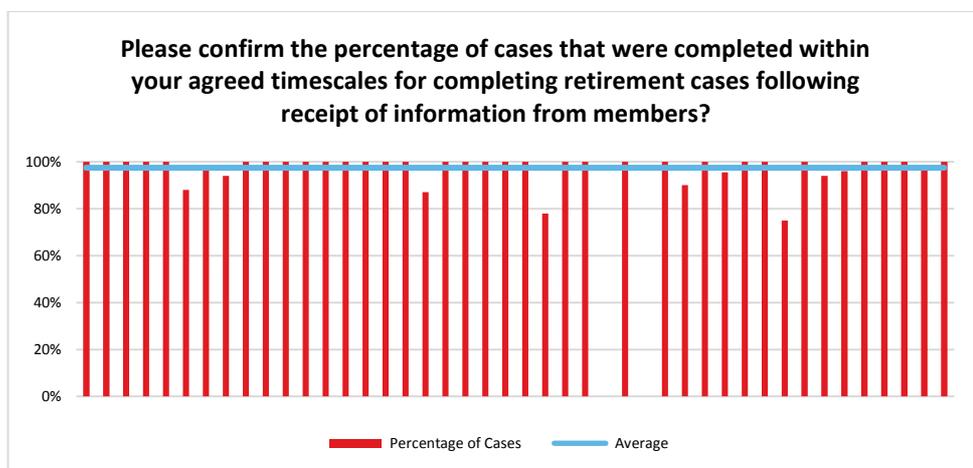
**Timescales where administrator is meeting targets 100% of the time:**

Timescale	Number of respondents
5 Working Days	7 administrators
7 Working Days	2 administrators
10 Working Days	6 administrators
15 Working Days	1 administrator
Within one month of retirement or 5 working days if later	3 administrators
Firefighter contacts administrator prior to retirement	1 administrator

The majority of administrators aim to complete a retirement case following receipt of all complete information from the member by the retirement date or within three working days.



Almost all administrators achieve their targets set out in the table above ranging from 75% to 100%.

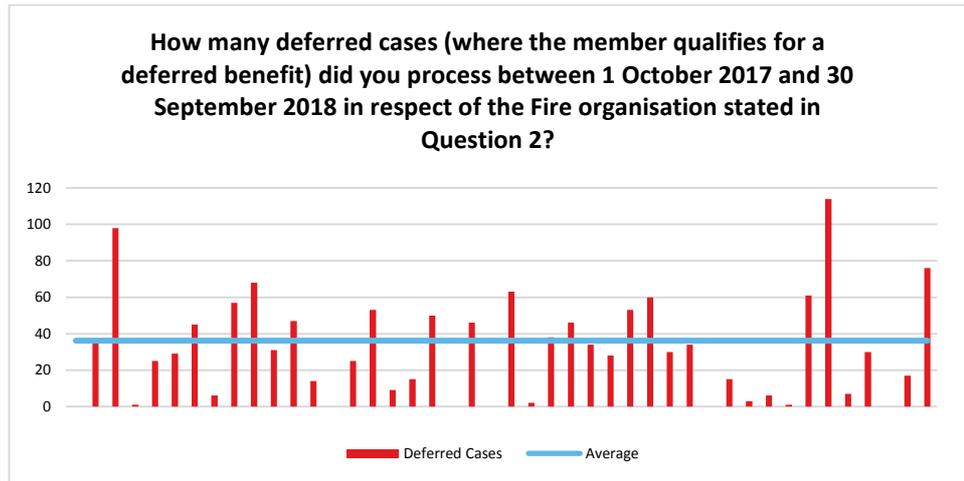


*\*Averages in above table exclude nil responses*

**Deferred cases**

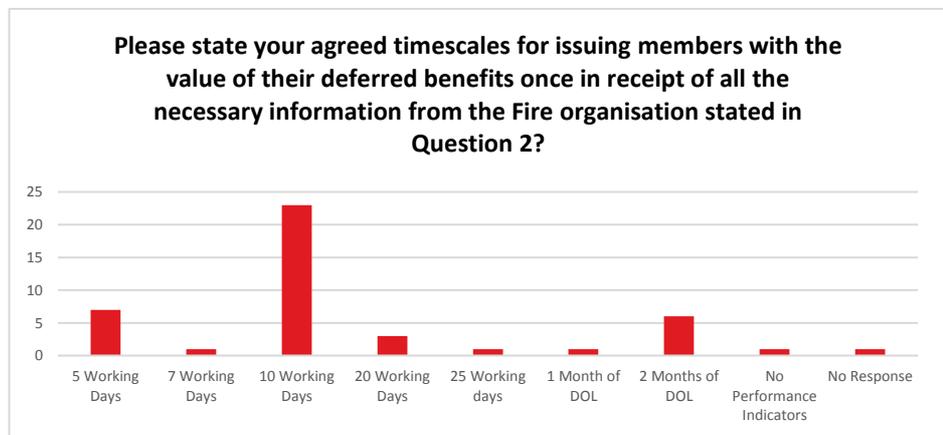
We also asked for information on deferred cases (again the number processed, timescales for completing cases, % completed in timescale). The number of deferred benefits calculated from October 2017 to end of

September 2018 ranged from 0 (no figure supplied) to 114 cases across each of the 45 FRAs.

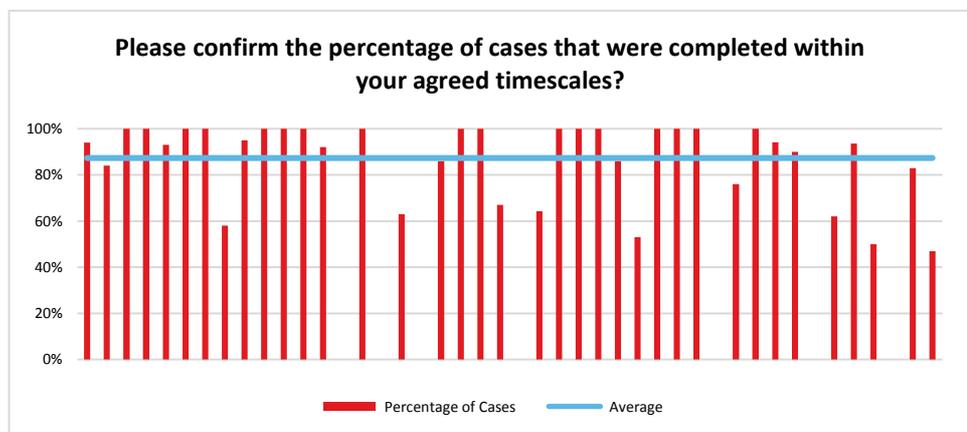


*\*Averages in above table exclude nil responses*

Timescales for issuing options/quotations to deferred members ranged from 5 working days to 2 months from date of leaving.



Those completed within the agreed timescale ranged from 53% to 100%



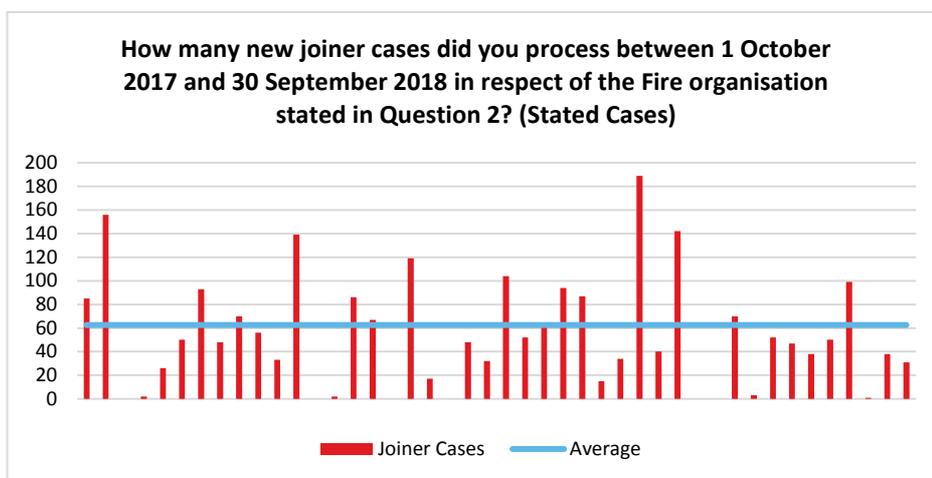
**Timescales where administrator is meeting targets 100% of the time:**

Timescale	Number of respondents
5 Working Days	7 administrators
7 Working Days	1 administrator
10 Working Days	2 administrators
20 Working Days	2 administrators
25 Working Days	1 administrator
1 Month	1 administrator
2 Months	2 administrators

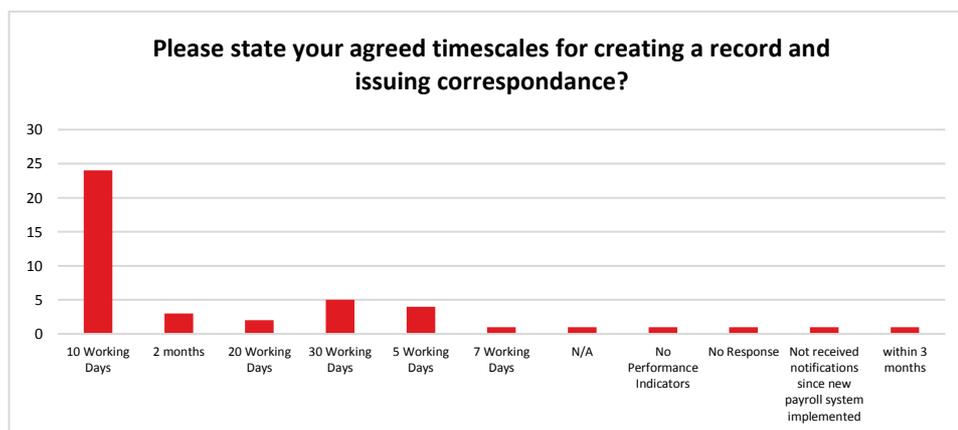
Interestingly the greatest number of administrators achieving 100% of the timescale relates to the time shortest timeframe.

**New Joiners**

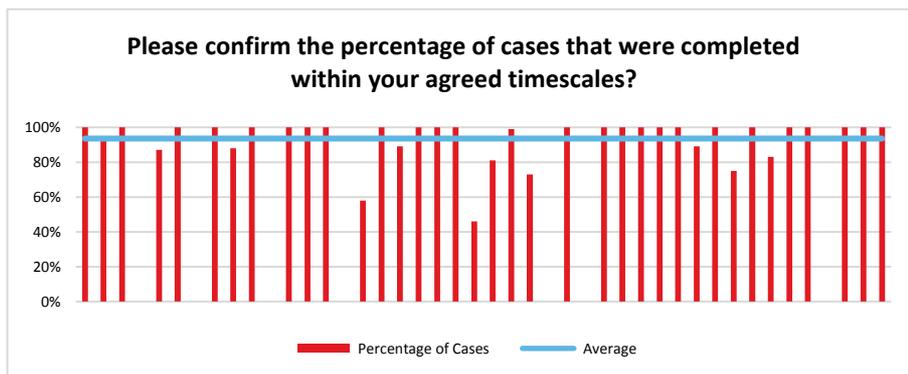
We asked about new joiners including the number processed, timescales for completing cases, % completed in timescale. In total all administrators processed 2,378 new joiners from October 2017 to end September 2018, ranging from 189 to none in some FRAs.



Timescales provided for new joiners show that the majority aim for 10 working days for creating the record and issuing correspondence. However, some indicated they are not receiving notifications due to problems with new payroll systems and survey responses indicate that administrators are working to a wide range of timescales.



Those completed within their agreed timescale ranged from 58% to 100%



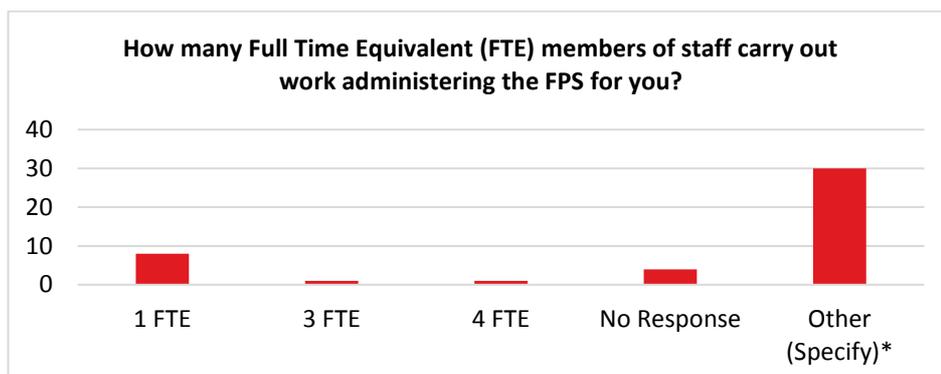
*\*Averages in above table exclude nil responses*

## Staffing

A range of questions about staffing were put to administrators to identify the current resource in place. The responses are quite wide ranging and should be read in conjunction with the costs information from the FRA survey responses.

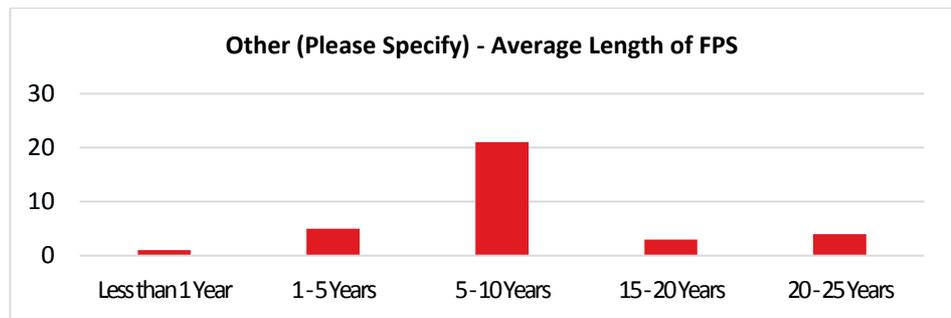
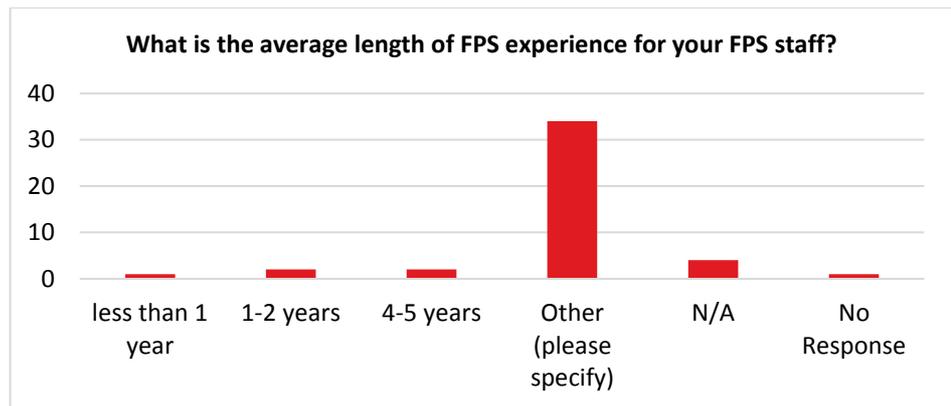
### FTE

The range of staffing within each administrator varies greatly and is difficult to compare given that administrators carry out different functions and some administrators provide a service across a range of FRAs.

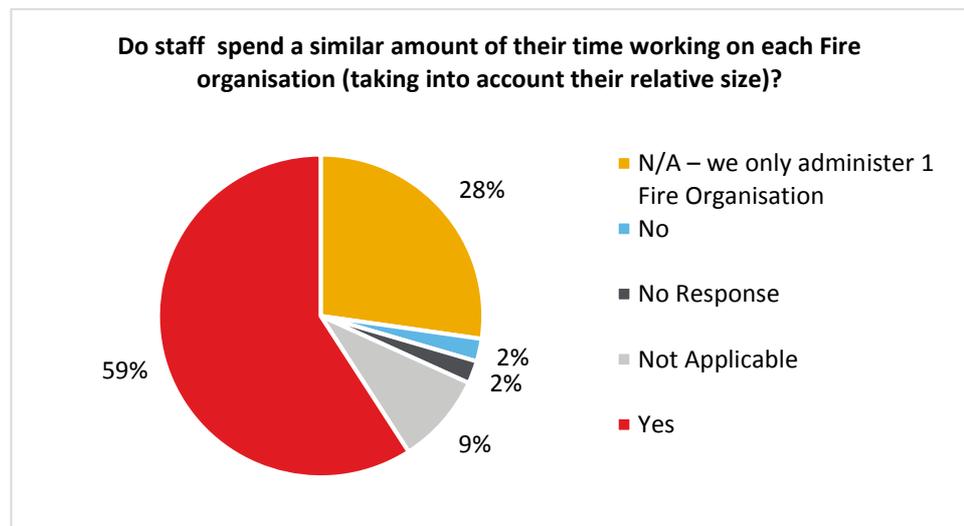


The range within the "other" category is quite varied with one administrator administering multiple FRAs employing 13 FTE staff and administrators with 1 FRA having fewer than 1 FTE members of staff.

Experience levels (measured by average length of Scheme experience) vary widely - a small number have less than a year's experience and some have 20-25 years' experience.

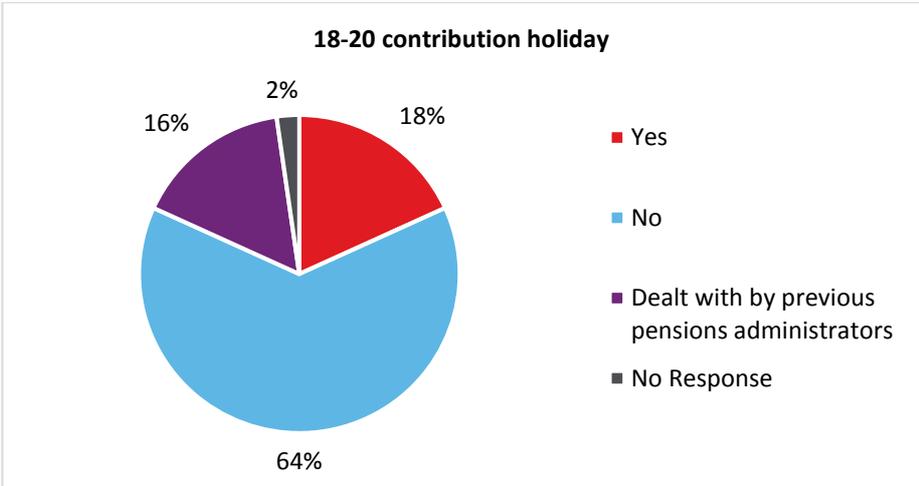
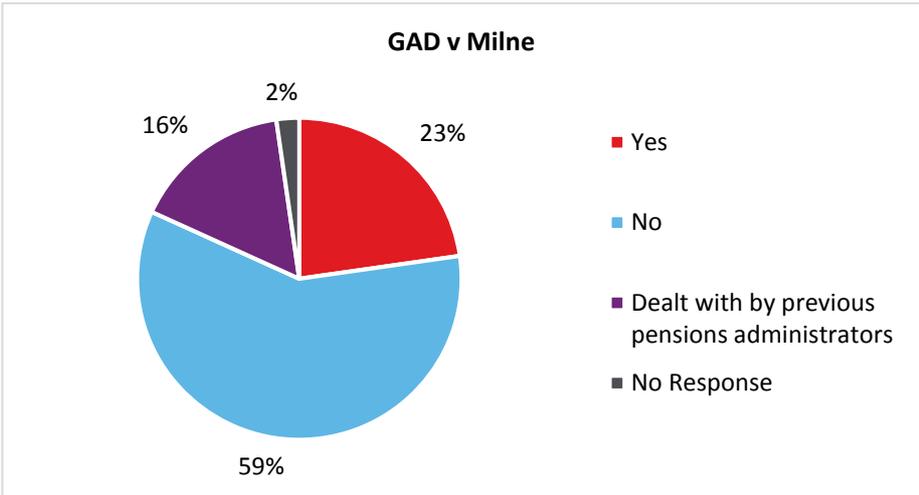
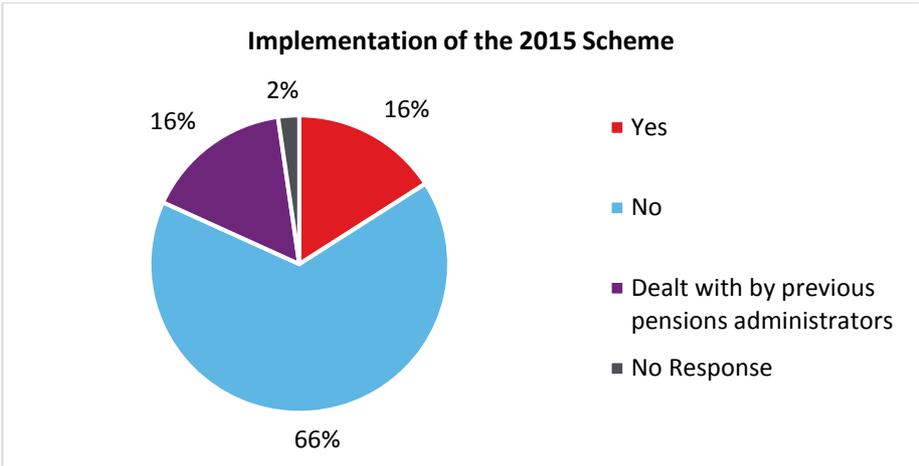


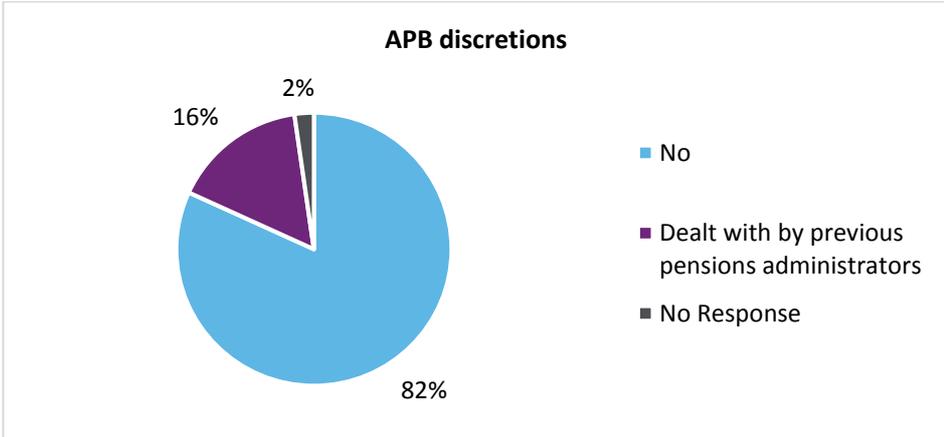
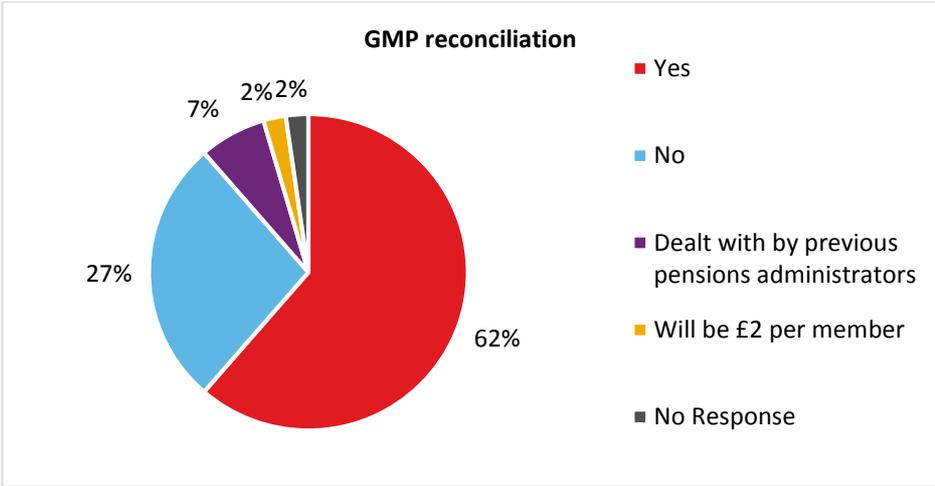
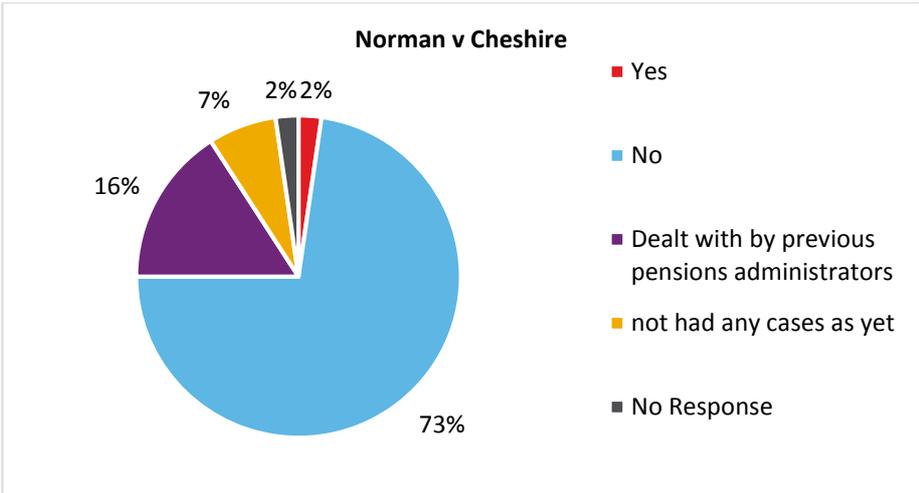
Given that a number of administrators provide services across a number of FRAs we asked how that time was allocated across FRAs. In almost all cases it appears that work across multiple administrators is equal, despite the fact that the FRAs themselves may be of a different size (noting too the range in terms of the member events administered over the year).

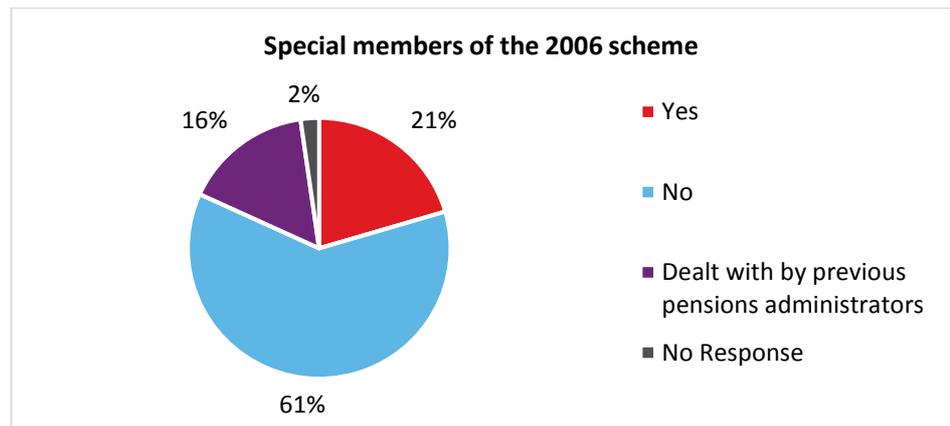
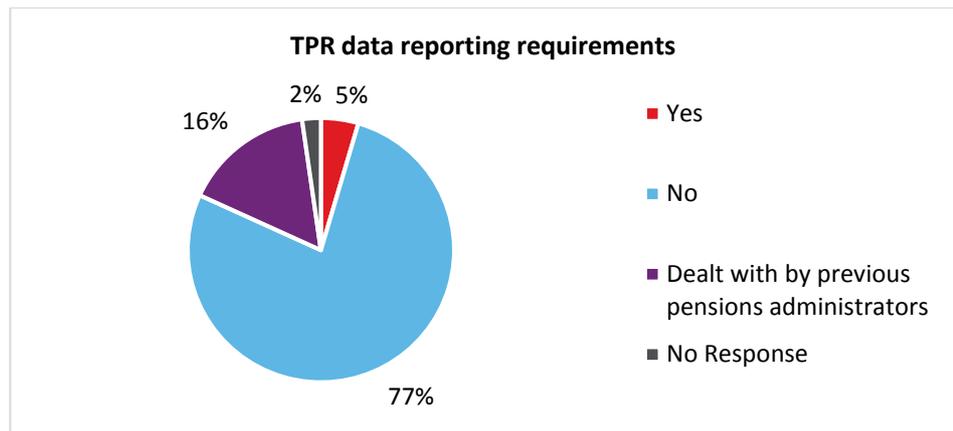


### Special Projects

While most of the questions related to costs were included as part of the FRA survey, given there have been a number of high profile changes to the Scheme and one-off projects, the administrators' survey included a number of questions about whether they charged any additional costs for "special" projects in recent years. The findings from the survey are summarised in the graphs below:







Some respondents also noted other areas including one stating that communications exercises on top of regulation changes are an additional cost. Another respondent indicated that for all work, software costs and staff time are recharged to the employer (i.e. the FRA).

Apart from the additional duties carried out in respect of the GMP reconciliation, where 62% of administrators charged FRAs for that work, the other special projects saw only a small number of administrators recharging costs to the respective FRA.

This doesn't seem consistent with the information on costs provided by the FRAs where around one-third of FRAs provided costs for most special projects (11 FRAs) although fewer provided costs for APB discretions (7) and TPR data reporting requirements (8).

## 4. Fire and Rescue authority (i.e. Employer) findings

### Introduction

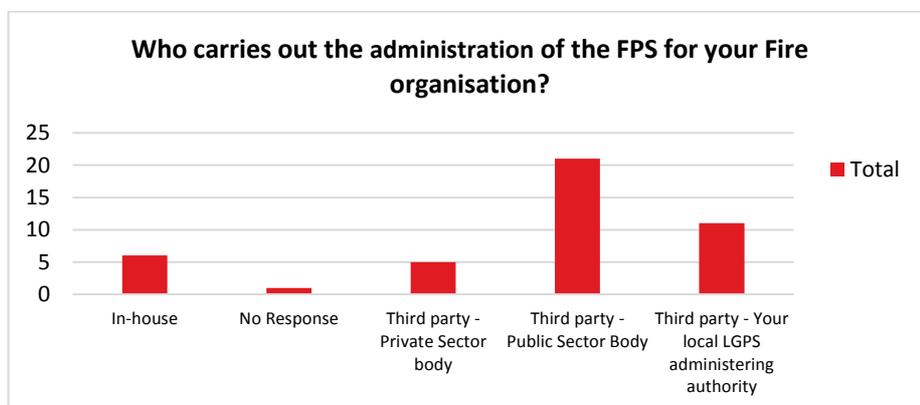
Scheme Managers are ultimately responsible for the administration and management of the Scheme at a local level. The responses to the employers' survey provide insights into resource levels, costs, understanding of responsibilities and other areas.

### Structure / information in place

#### Who carries out administration

The administration services for FRAs vary. The majority are provided by a third-party, then a public sector body, then a third-party via a Local Government Pension Scheme (LGPS) administering authority followed by a third-party private sector provider. The lowest response was for in-house provision which was 6 respondents. However, our understanding is that there are only 2 FRAs whose administration is genuinely in-house. 1 FRA did not provide a response to this question.

The trend in using a third-party may be due to the complexity of the Scheme and a perception that administration can be carried out more effectively by an organisation which administers the Scheme for multiple Scheme Managers.



#### Have administrators changed in last three years?

32% of FRAs have changed administrator in the last 3 years (or are planning to change).

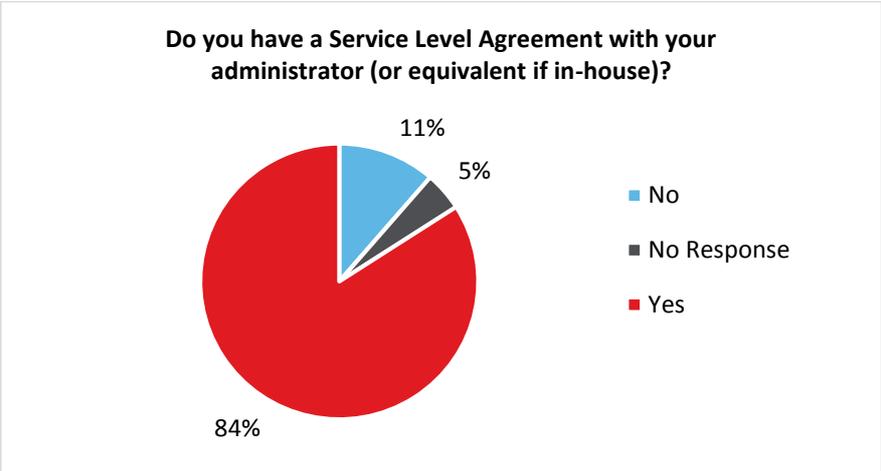
#### Reasons for any change (or future change)

Reasons provided for changing administrator include:

- Cost effectiveness
- Unsatisfactory service levels
- End of contract/previous administrator did not retender
- Lack of necessary resources or expertise
- Other reason (these referred to structural changes elsewhere impacting on the administration of the Scheme)

**Service level agreement (SLA) in place with administrator**

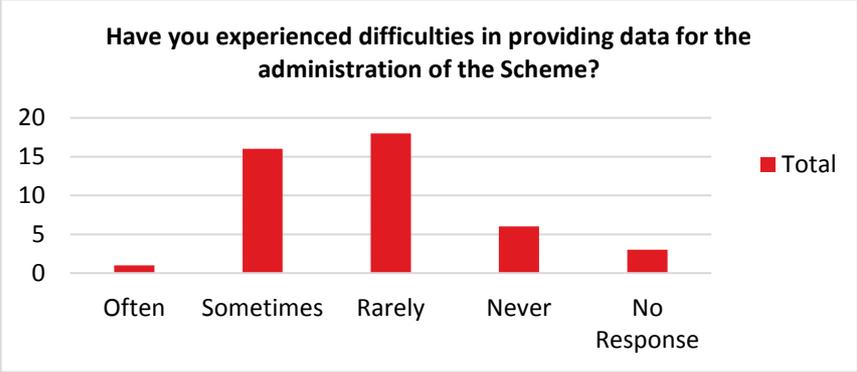
84% of FRAs said they have an SLA in place with their administrator. 89% of administrators (or 39) indicated that they have an SLA.



**Data**

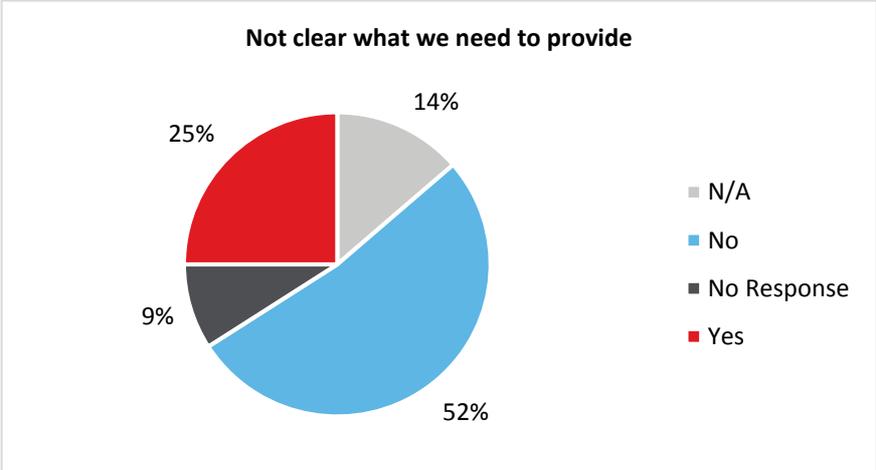
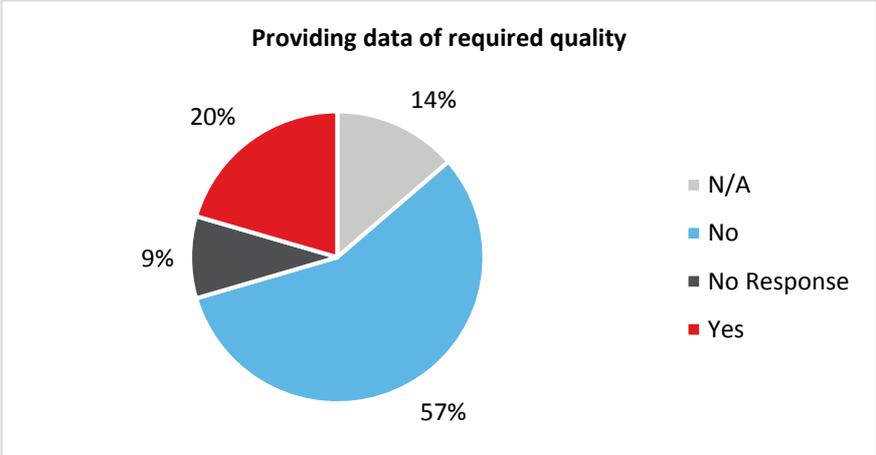
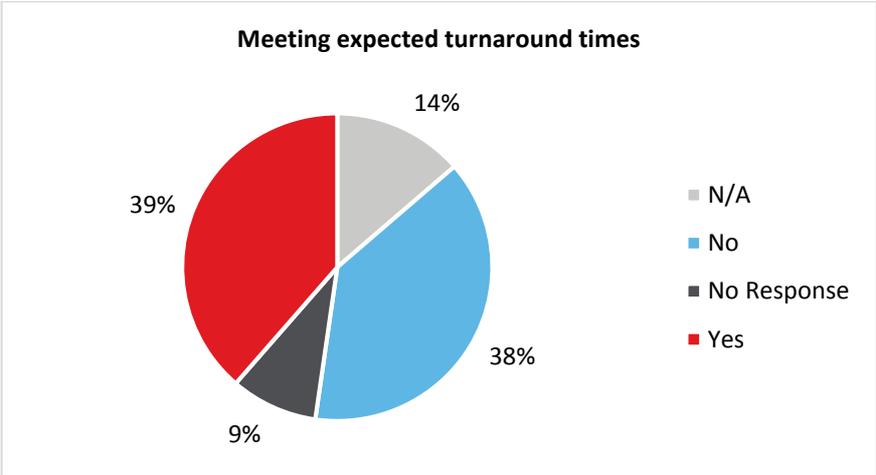
*Difficulty providing data to administrator*

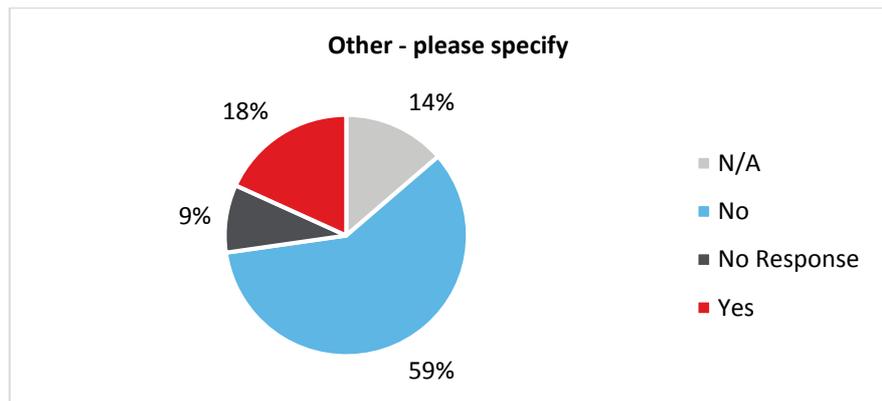
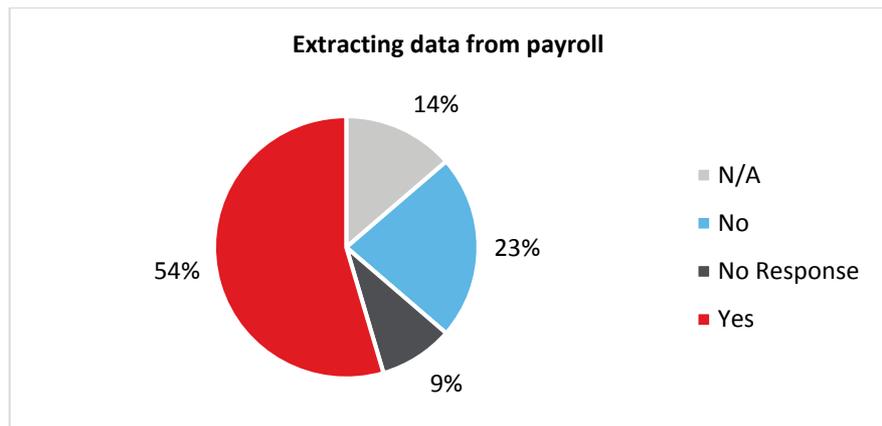
FRAs were asked if they experienced difficulties in providing data for the administration of the Scheme. The majority indicated that they rarely or never do, but a significant number sometimes experience difficulties, with a small number often experiencing difficulties.



**Where are those difficulties presenting themselves?**

The charts below set out where FRAs indicated they were experiencing difficulties.





"Other" responses included difficulties due to externally administered payroll and pensions where the FRA is unsure of level of communication between two services. Challenges were also noted in extracting information from payroll to pensions systems and in relation to the 2006 scheme for special members.

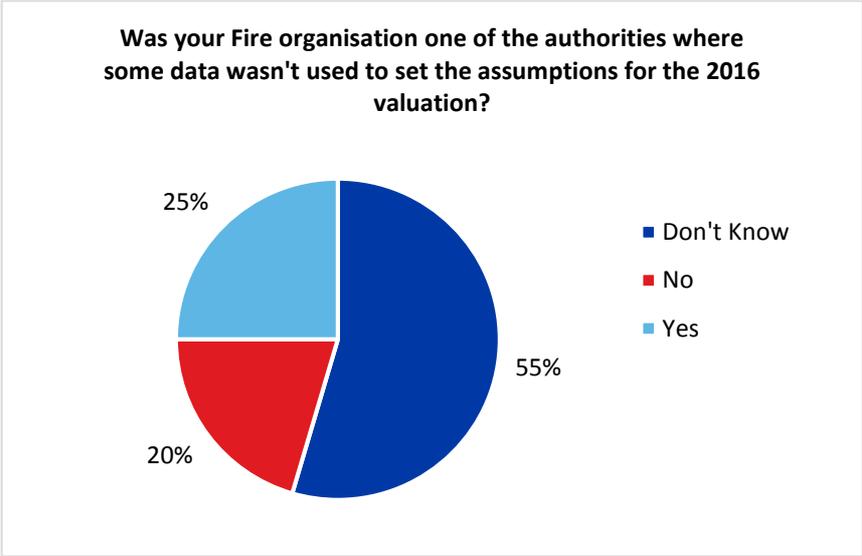
### 2016 valuation data issues

The Government Actuary's Department (GAD) excluded data from a number of FRAs when carrying out an analysis of membership movements for the purpose of the 2016 valuation of the Scheme:

- 17 FRAs' data was excluded from the mortality experience
- 18 FRAs' data was excluded from the age retirement experience
- 15 FRAs' data was excluded from the ill health experience
- 15 FRAs' data was excluded from the death-in-service experience
- The data on family statistics was only deemed to be credible for 10 FRAs.

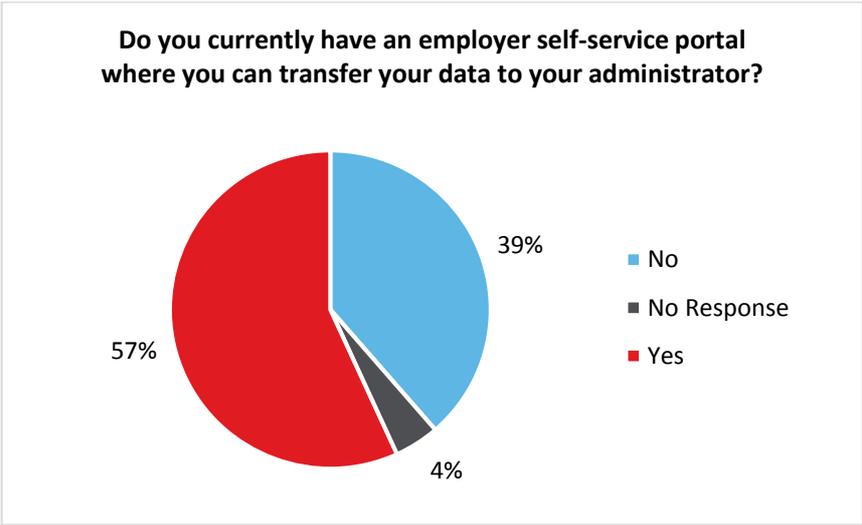
FRAs were asked if they were one of the authorities where some data wasn't used to set the assumptions for the 2016 valuation. Most do not know if that is the case. However, we understand that all Scheme Managers were told if their data was excluded and were provided with information by GAD. It is possible that it is simply a function of the person completing the survey on behalf of the FRA not being aware of it. Yet, on the face of it, it is not clear how FRAs can be confident that their data is

accurate if they do not know if any of their data was excluded from the 2016 valuation experience analysis.



**Employer self-service**

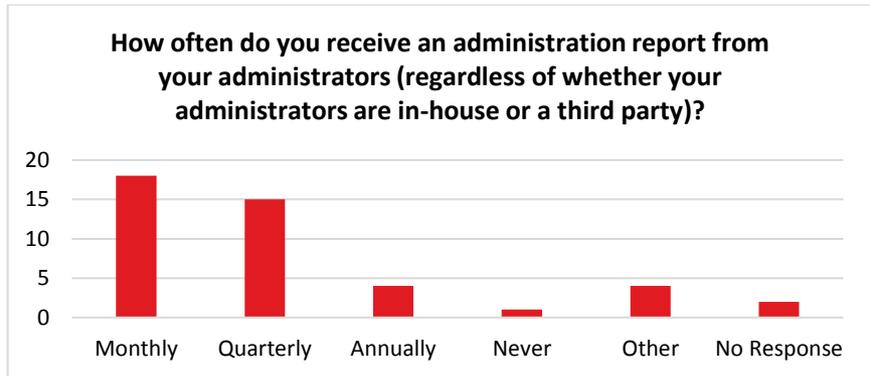
Only 55% (or 25) of FRAs indicated that they have an employer self-service portal where they can transfer data to their administrator. 57% (or 26) administrators indicated such facilities exist, highlighting a slight inconsistency between survey responses.



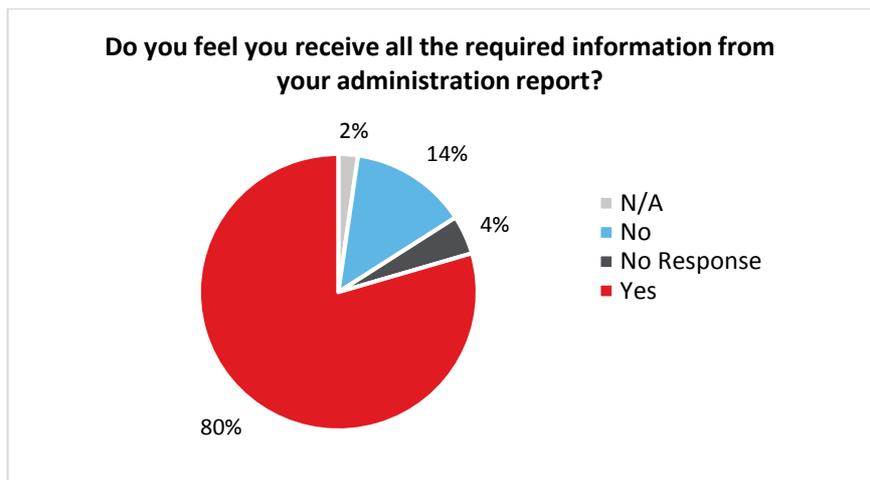
**Reporting**

*Administration reports*

FRAs were asked how often they receive administration reports from their administrators. Many receive them monthly but there is a range of timeframes in operation.

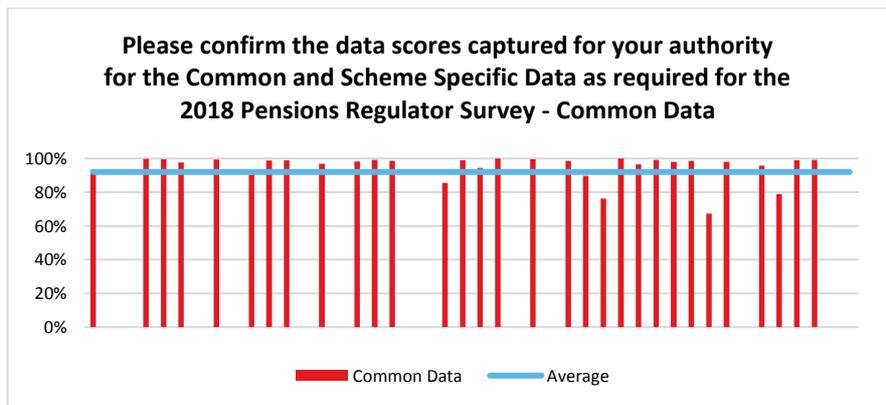


Almost all FRAs (80%) feel they receive the required information from the administration report.



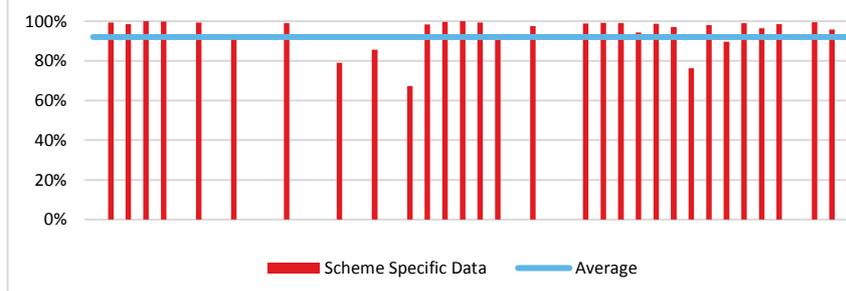
**Scheme level reporting information to TPR (Inc. common and scheme specific data)**

As noted above in the administrator survey findings, FRAs (in conjunction with their administrators) were asked if they had provided TPR with data scores for Common and Scheme Specific data in the 2018 return. 31 FRAs provided data scores for common data (compared to 38 administrators) and 31 provided scheme specific data (compared to 34 administrators).



*\*Averages in above chart exclude nil responses*

**Please confirm the data scores captured for your authority for the Common and Scheme Specific Data as required for the 2018 Pensions Regulator Survey - Scheme Specific**

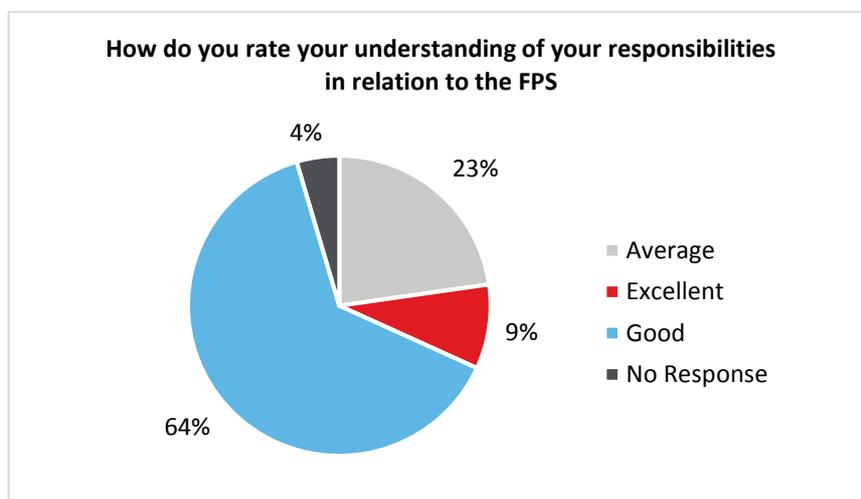


*\*Averages in above chart exclude nil responses*

**Roles and responsibilities**

**Understanding roles and responsibilities**

The majority of FRAs rated their understanding of their responsibilities in relation to the Scheme as good or excellent. Almost a quarter of respondents consider their understanding levels to be average.



**How easy is it to make decisions re discretions?**

The Scheme rules set out areas where FRAs have to make a decision which affects a member's benefits, such as what constitutes pensionable pay. Most (66% of FRAs) find making decisions regarding discretions difficult and the reasons seem to mainly stem from the complexity of benefits (64% of FRAs) and the frequency of changes in legislation and case law impacting on benefits (64% of FRAs).

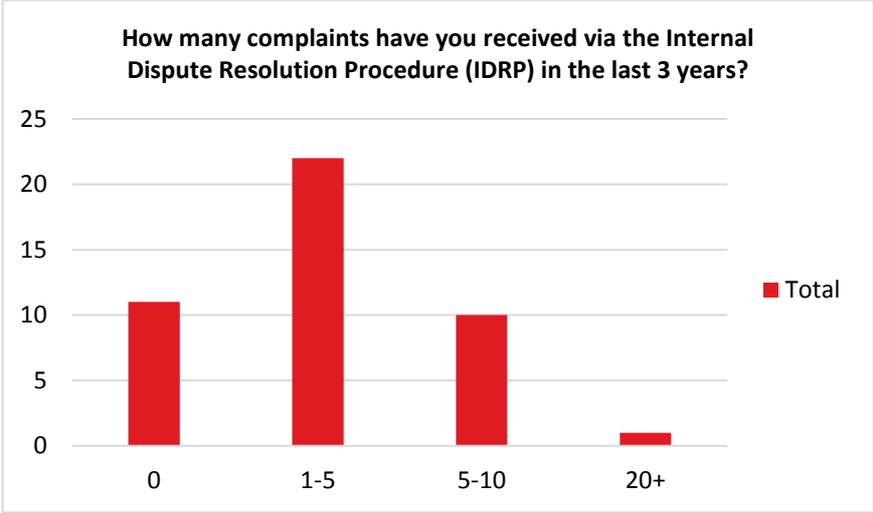
Unlike administrators, FRAs didn't think scheme members had high expectations with only a quarter (27%) indicating they thought that was the case. Only 16% indicated that lack of support nationally was a concern. All felt that locally they were supported in undertaking their role.

**Complaints**

**IDRP**

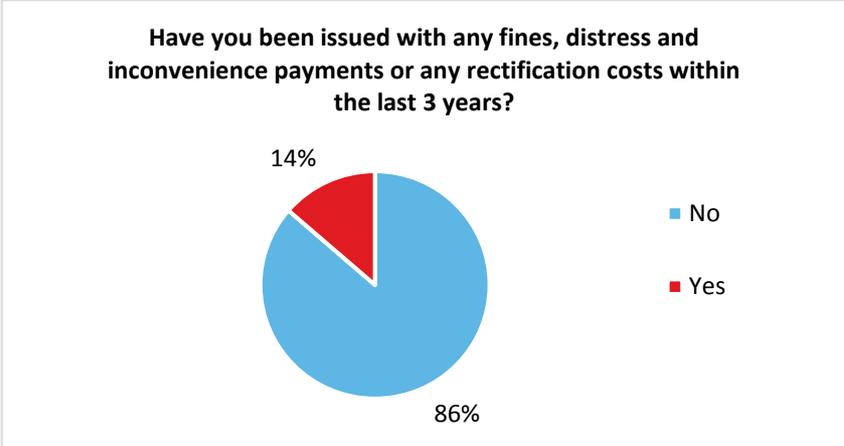
FRAs were asked to set out how many complaints were received via the Internal Dispute Resolution Procedure (IDRP) in the last 3 years. Most

had between 1 and 5, with one having more than 20. Many of the comments referred to the challenges relating to the 2006 scheme for special members.



**Fines/distress/inconvenience payments**

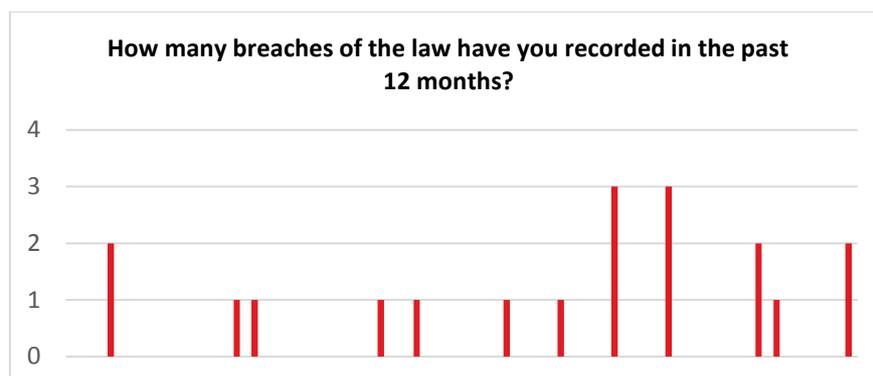
Very few FRAs (5) have been issued with a fine, distress or inconvenience payment or rectification costs in last three years, with costs ranging from £1,000-5,000.



**Breaches**

**Quantity and materiality**

The number of breaches recorded ranged from 0 to 3, with 31 FRAs recording no breaches of the law. Fewer were reported to the Regulator as material breaches.



## Costs

Costing information was obtained across 3 distinct categories including:

1. Internal FRA staffing
2. External Administration fees and software costs and
3. Special projects and other costs

In general, we have assumed that the cost information submitted by FRAs is complete and accurate. We are unable to test data accuracy as there are no apparent patterns/trends. We have also assumed that staffing costs reflect the position from 2017/18. Where data was not submitted the FRA has been excluded from the analysis. In addition, when calculating costs per member for individual cost items we have taken the membership only from the FRAs which provided a non-zero cost for that particular item.

## Costs - staffing

Staffing cost questions in the survey centred on Finance (33 respondents), Payroll (28 respondents), HR (30 respondents) and other departments (14 respondents). 4 FRAs provided no responses and these FRAs have been excluded from the analysis of staff costs.

We have provided a summary of the average of Full Time Equivalent (FTE) posts broken down per department based on the responses received (note that not all FRAs who responded to this question provided costs), along with the average cost based on cost information provided. This question asked respondents to quantify the time spent on Scheme related matters.

Cost Type	Total Costs provided by FRAs	Average per responding FRA	Average per member (only FRAs who provided a cost figure)
<b>Finance</b>	£479,463.00	£14,529.18	£7.03
<b>Payroll</b>	£472,855.96	£16,887.71	£7.71
<b>HR</b>	£602,436.40	£20,081.21	£9.33
<b>Other</b>	£240,915.00	£17,208.21	£10.03
<b>Total</b>	<b>£1,795,670.36</b>	<b>£68,706.32</b>	<b>£34.11*</b>

\*This varied from £24.51 for FRAs with over 2,000 total active members (as supplied by GAD as at 31 March 2016) to £47.26 for FRAs with between 500 and 1,000 total members.

FTE Type	Total FTEs provided by FRAs	Number of FRA responses
Finance	15.51	36
Payroll	17.84	31
HR	19.33	34
Other	5.27	13

### Costs – external administration fees and software costs

#### External administration fees

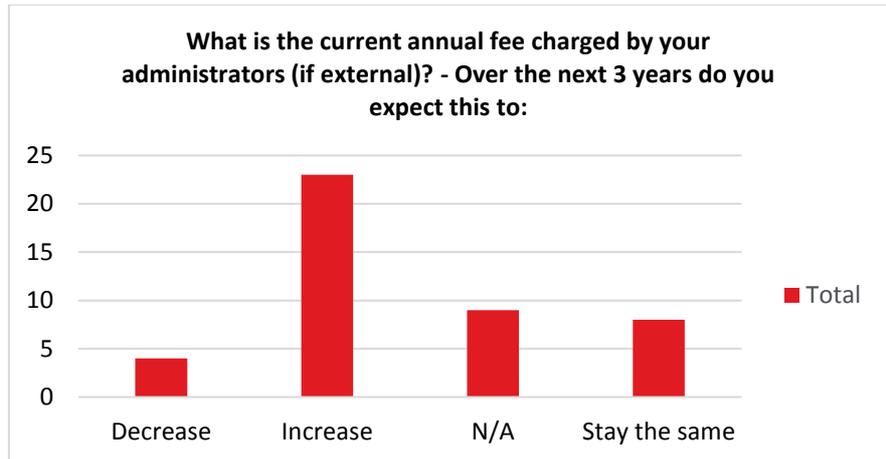
FRAs were asked for details of the fee charged by any external administrator in respect of 2016/17, 2017/18 and whether that fee was likely to increase/decrease/stay the same in the near future. 35 responses were received but 7 FRAs either did not respond or supplied incomplete/inaccurate data. Those 7 have been excluded from this data analysis. Anecdotal evidence suggests the reasons for missing/incomplete data are that if FRAs do not hold that data they cannot split it out or they simply do not know.

Year	External Administration Fees	Number of FRAs which provided costs	Average per responding FRA
2016/17	£1.711M	30	£57,047.30
2017/18	£1,855M	35	£53,003.43

\* In 2016/17 this varied from £25.16 for FRAs with above 2,000 members to £37.63 for FRAs with between 500 and 1,000 members.

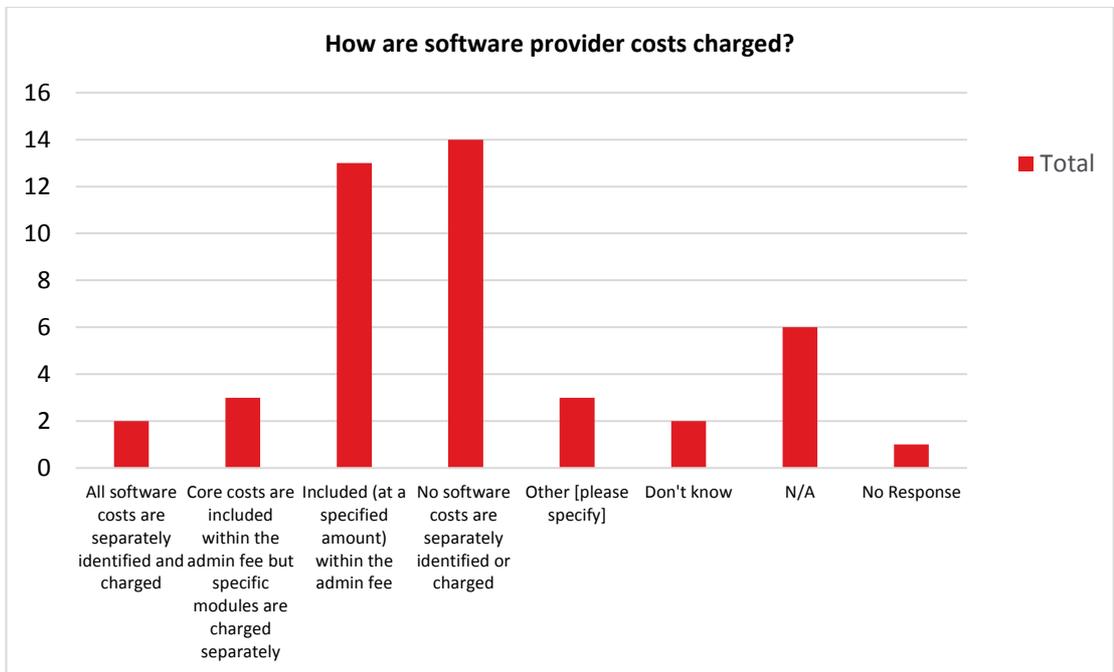
\*\* In 2017/18 this varied from £25.09 for FRAs with between 1,000 and 2,000 members to £38.51 for FRAs with between 500 and 1,000 members.

In most cases the costs provided in 2017/18 were higher than in 2016/17, but the overall average per FRA has fallen. This may be due to a number of smaller FRAs outsourcing administration between 2016/17 and 2017/18 but there may be other factors too, noting that the average cost per member actually increased slightly. 31 FRAs said future administration costs are likely to stay the same or increase whereas 4 FRAs have said they are likely to decrease.



**Software supplier costs**

We asked how software costs are charged and what the costs were for 2016/17 and 2017/18. We expected to receive software costs for 24 FRAs based on how they answered the question on how costs are charged and/or the costs that have been provided. We actually received 15 responses and 6 of those respondents were unable to confirm how those costs are charged.



Year	Software supplier costs	Number of FRAs which provided costs	Average per responding FRA
2016/17	£273,920,	14	£19,565.71
2017/18	£320,925	15	£21,395.00

*\* In 2016/17 this varied from £5.33 for FRAs with more than 2,000 members to £21.21 for FRAs with between 500 and 1,000 members.*

*\*\*In 2017/18 this varied from £9.18 for FRAs with more than 2,000 members to £16.41 for FRAs with between 500 and 1,000 members.*

## Costs – special projects

### Special Projects

We asked FRAs to provide additional (estimated) costs that they incurred for implementing/rectifying cases for 8 special projects listed in the table below. We asked FRAs to include internal and external costs.

Special Case	Costs provided*	Number of FRAs which provided costs	Average per responding FRA	Average per member
Implementation of the 2015 Scheme	£288,354	14	£20,596.71	£10.91
GAD v Milne	£67,195	12	£5,599.58	£3.23
18-20 contribution holiday	£22,394	13	£1,722.62	£0.93
Retrospective pensionable pay issues including Norman v Cheshire	£194,520	14	£13,894.29	£7.31
GMP reconciliation	£193,260	16	£12,078.75	£4.72
APB discretions	£43,821	7	£6,260.14	£2.91
TPR data reporting requirement	£45,306	8	£5,663.25	£3.89
Special members of 2006 scheme	£236,319	15	£15,754.60	£9.63
<b>Total</b>	<b>£1,091,169</b>		<b>£81,569.94</b>	<b>£43.53</b>

\* We have excluded data which appeared to be unreliable, covering GAD v Milne costs (which may have included payments to members) for 2 FRAs and 18-20 contribution holiday costs for 1 FRA.

### What is included in costs

In response to the question, what is included within your (estimated) costs [for special projects], answers were as follows:

- Legal advice included by 9 FRAs
- Extra in-house staff time included by 16 FRAs
- Administrator fees included by 19 FRAs
- Other advisory fees included by 2 FRAs
- Other (including systems/payroll/resources costs, software development or explanation about how costs absorbed) provided by 9 FRAs

### Other annual costs

We asked FRAs what the annual costs for other FPS related activities were. Not all FRAs provided these costs. The 6 FRAs who provided "other" costs indicated that these related to actuarial costs, year-end returns, lump sum payment costs, pensioner payroll checking costs and attendance at various meetings and committees.

Special Case	Costs provided	Number of FRAs which responded	Average per responding FRA	Average per member
<b>IAS19 advice and reporting</b>	£216,219.21	29	£7,455.83	£3.73
<b>Cashflow forecasts to Home Office</b>	£29,715.57	12	£2,476.30	£1.82
<b>Other</b>	£23,445.00	6	£3,907.50	£2.32
<b>Total</b>	<b>£269,379.78</b>		<b>£13,839.63</b>	<b>£7.86</b>

#### **Cost of admin in the context of member benefits being paid at right time**

We asked how FRAs rated the costs for administering the Scheme in the context of ensuring members receive the right benefits at the right time. This was not in relation to employer contribution rates but rather about the provision of the administration of the Scheme.

All FRAs responded to this question:

Rating	Number of FRAs
<b>Too costly</b>	7
<b>About right</b>	33
<b>Not enough</b>	2
<b>Indicated they offer value for money</b>	1
<b>No response</b>	1

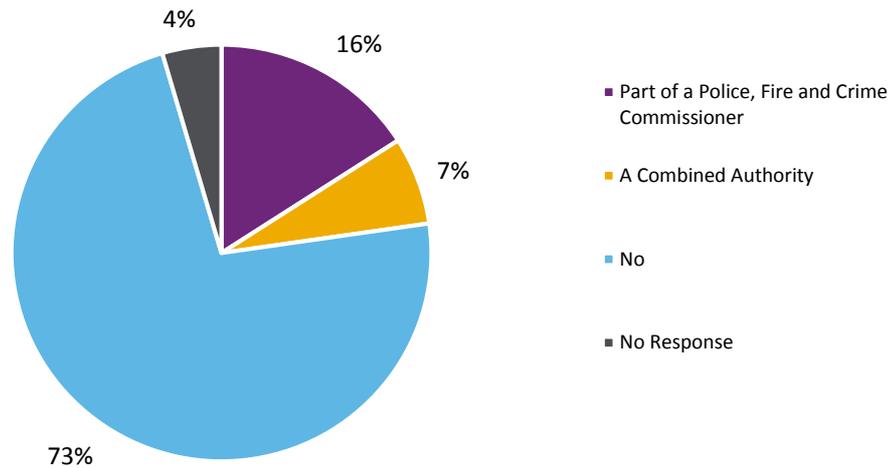
The total costs over 2017/18 as per the above analysis was then £5.33M, of which £1.09M was in relation to special projects. This is equivalent to £120.33 and £43.53 per member respectively. The total costs by size of FRA (by total membership) ranged from £260.78 for those with between 500 and 1,000 members to £84.72 for those with over 2,000 members. Excluding special projects, the range was £120.40 to £60.89 per member.

#### **Future look**

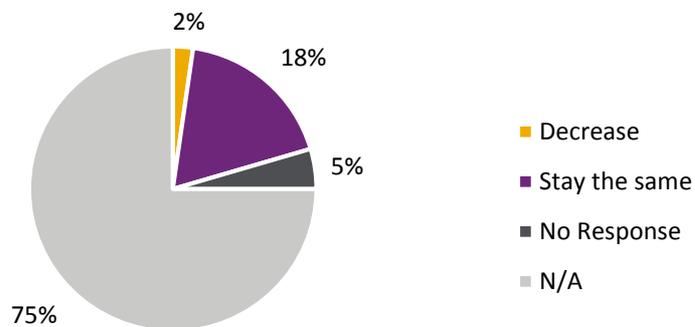
#### **Potential changes to FRAs (i.e. employers)**

FRAs were asked if they are aware of any intentions to change the structure of the FRA and where the answer was "yes" they were also asked how that might affect cost of managing the Scheme.

**Are you aware of any intentions to change the structure of your Fire organisation to become any of the following?**



**Are you aware of any intentions to change the structure of your Fire organisation to become any of the following? - If Yes to any, how do you expect this to affect the costs of managing the Scheme?**



**Suggested changes to Scheme**

Asked if there was one thing they could change about the Scheme, FRAs (and administrators) provided a range of suggestions. The responses were similar across both groups. Many focused on the need to reduce the complexity of the Scheme, suggesting greater simplicity across the range of benefits offered and consistency across the different tranches within the Scheme.

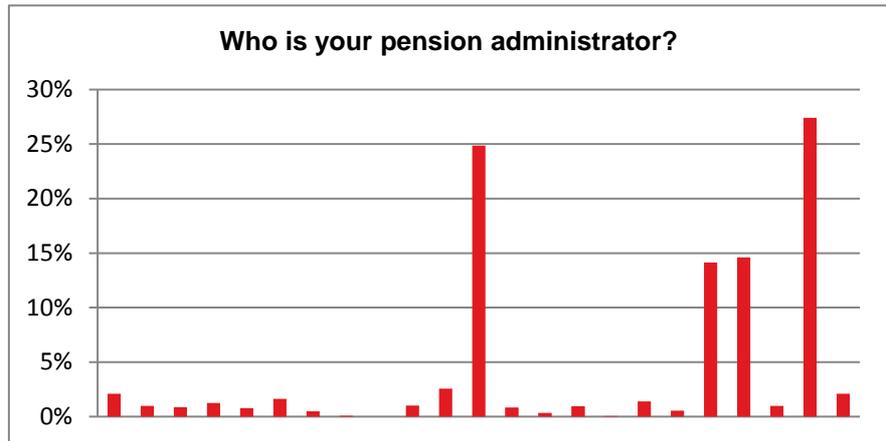
Other suggestions included:

- simplifying the tax issues
- removal of the confusion around to which scheme new/additional contracts should apply
- removal of the modified scheme and discretions.
- More use of joint Local Pension Boards and national guidance.

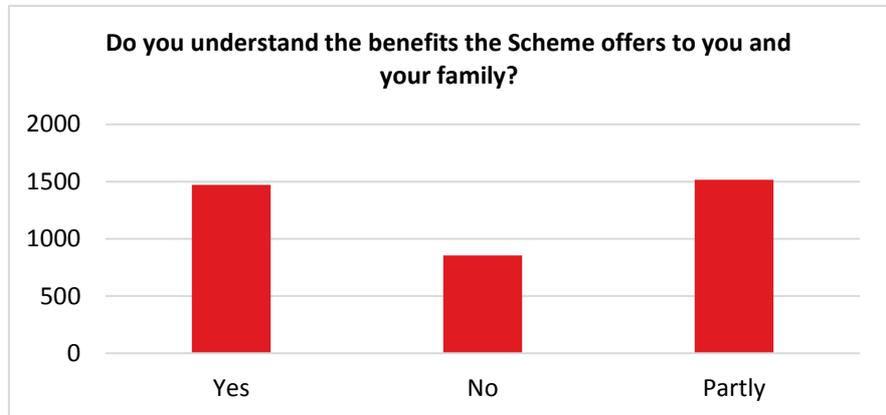
Further detail is set out in the summary of findings section.



**Pension Administrator** 27% of members who responded to the survey (and one might assume therefore are engaged on pensions matters) do not know who their administrator is.

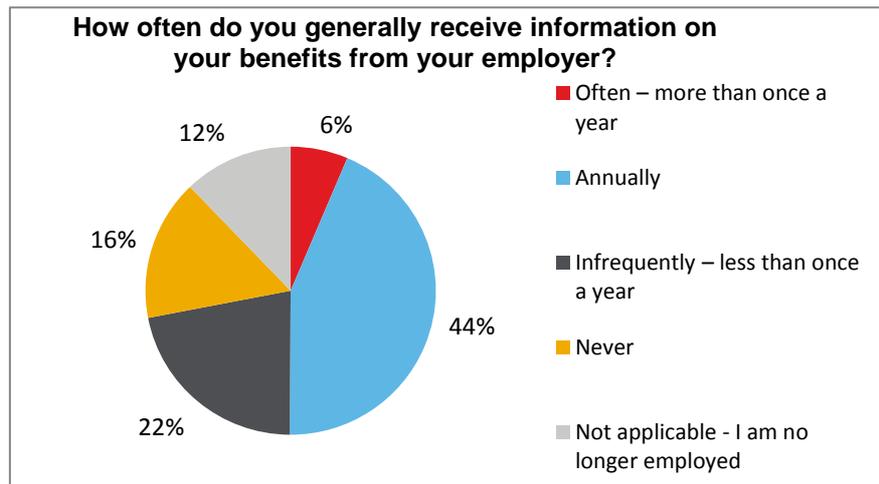


**Understanding** Over 1,500 members partly understand their benefits and 855 do not understand their benefits, meaning less than half of those responding understand the benefits.



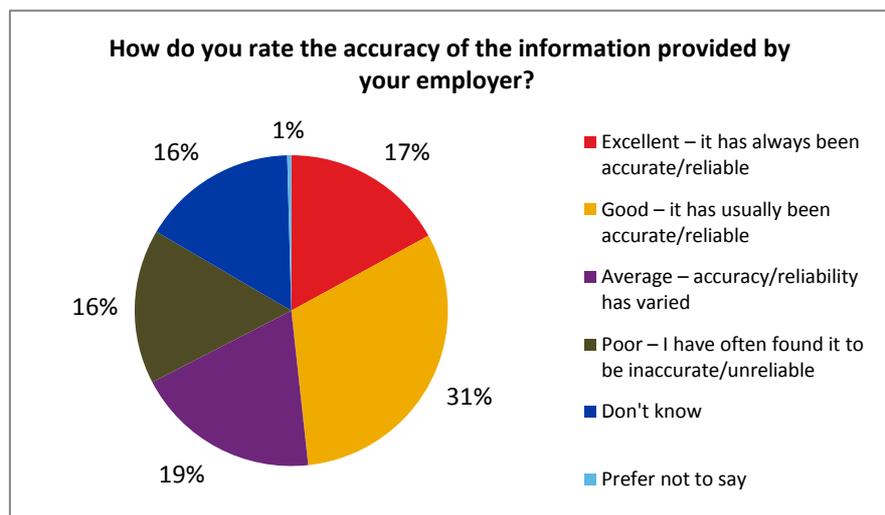
**Frequency of information**

16% of respondents never receive information from their employer (the FRA). Supplementary comments suggests these are largely members in receipt of a pension.



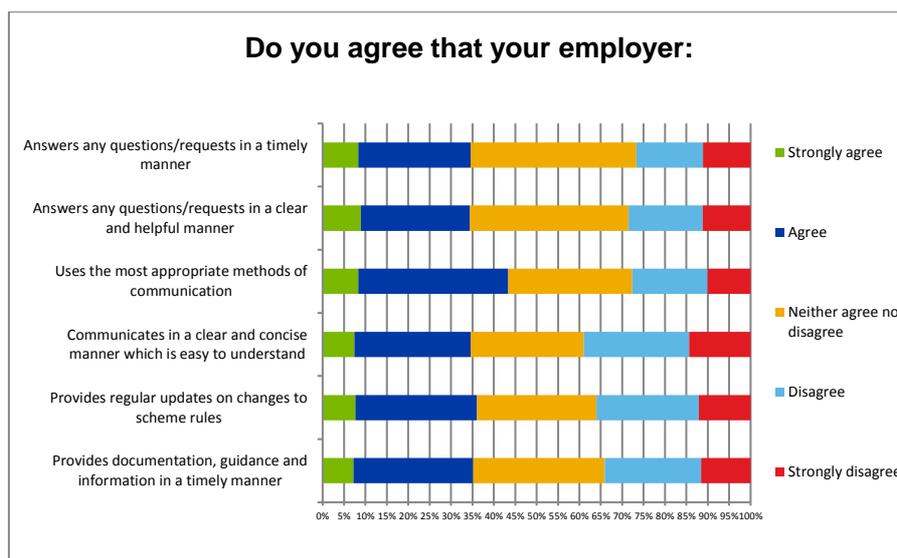
**Accuracy of information**

Almost half of respondents indicated that information received is excellent or good in terms of reliability. More information may be needed to understand why nearly a third (32%) either don't know or believe the accuracy of information to be poor.



**View on information from FRA**

We asked for the views of Scheme members (and their dependants) on the information they get from their FRA and whether the FRA answers questions/requests in a timely, clear and helpful manner and through the appropriate method of communication. Responses also set out views on whether communication is clear and concise, whether the FRA provides regular updates on Scheme changes and provides documents and guidance in a timely manner.



Across the latter 3 questions a sizable minority (around 33%) indicated that they disagreed or strongly disagreed with the statements that their FRA provided clear and concise information, documentation and guidance in a timely manner and regular updates on scheme changes. It is not clear whether this is because such communication is viewed as being the role of the administrator or because some FRAs are falling short of members' expectations in these areas.

## Comments

The survey also provided the opportunity for members to provide comments on the service they receive.

There were several positive themes emerging from responses including praise for newly introduced self service functions, confirmation that pensions paid are generally paid on time (although several delays were noted in widow(ers) first pension payment being made), and testimonials to several Scheme staff at various FRAs. Pension seminars and roadshows that are held also drew praise and appeared welcomed by active members.

Despite the positive comments, there were also negative trends with suggestions that some members feel like they are causing problems when raising questions and some state that unless they are nearing retirement their case is treated as insignificant by FRAs/administrators. Comments were also made suggesting that a key person risk exists following several indications that only 1 individual (from the FRA/administrator) is able/capable of answering particular queries.

Although the responses to questions above suggests that the communications received are fairly well understood, a high volume of comments indicates that there is confusion around ABSs.

It was evident that there is a clear appetite for electronic communications and further self service capability. There were also several suggestions for Scheme materials to be available online such as calculators, models and the use of videos to explain certain topics.

### **Suggested changes to Scheme**

Asked if there was one thing they could change about the Scheme, members provided a range of suggestions. Many focused on communication, with calls for clearer documentation of the Scheme's benefits written in plain English with little or no jargon. Retired members indicated that they would like to receive more pensions-related communications, such as confirmation of the annual Pensions Increase amount and an annual newsletter in paper format. There were also suggestions that the Scheme should embrace technology as a communication tool including online self-service facilities, online calculators, videos to supplement documentation and an application that could be accessed via smart phones and devices.

Members would also appreciate greater transparency on how certain aspects of members' benefits are calculated, including CPD payments and what pay elements are pensionable.

Members also referred to tax issues with suggestions for guidance to be provided on potential impacts if a member is promoted.

Other suggestions included

- calls for the current abatement rules to be relaxed
- a plea for stability in member contribution rates to stop members feeling like there is no other alternative but to opt out of the Scheme
- documenting the required process when a pensioner dies to ensure a survivor's pension is paid as quickly as possible
- extending Scheme knowledge across organisations to reduce a key person risk.

It should be noted that whilst there were a number of comments suggesting change, there were a number of responses stating that they would not change anything about the Scheme.

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## 6. National support and advice

### Introduction

In both the administrator and FRA surveys questions were asked about how respondents rated the guidance and support provided by the LGA, the Home Office and Regional Fire Pension Officers' Groups. Views were also sought on respondents' awareness of the new Firefighters' Pension Schemes Regulations and Guidance website. Understanding how both sets of stakeholders view the guidance provided should assist the Board in understanding what is currently working well and where there may be opportunities to provide further advice and information to assist FRAs and administrators. This does however need to be viewed within the context of whether or not existing guidance is being used.

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### Support from national and regional bodies

In the survey respondents were asked to rate how good the guidance and support from the LGA, Home Office and Regional Fire Pension Officer Group was on a scale of 1 (very poor) to 4 (very good).

The LGA received very positive responses with 24 FRAs scoring them as very good and a further 18 scoring them as good. From administrators 35 rated LGA as very good and 4 rated them as good.

The Home Office received a more variable response, 2 FRAs scored their guidance and support as very good, 11 as good, 23 as poor and 6 as very poor. Two did not provide a rating with one FRA indicating that they did not use information from the Home Office website. From administrators the responses correlated closely with those from the FRAs with 2 scoring them as very good, 12 as good, 24 as poor and 1 as very poor.

The views provided regarding the Regional Fire Pension Officer Groups were mixed and this appears to be based on the frequency of the meetings in each region. 10 FRAs indicated that they received very good support and advice from their group with 18 indicating a good rating, 7 stating it was poor, and 3 indicating it was very poor. 6 provided no rating. The comments relating to those that didn't provide a rating seem to indicate that there has not been a meeting in the north west region during the past year. The scores from administrators for each FRA are more positive for these groups with 11 rating guidance and support as very good, 28 as good and 1 as poor.

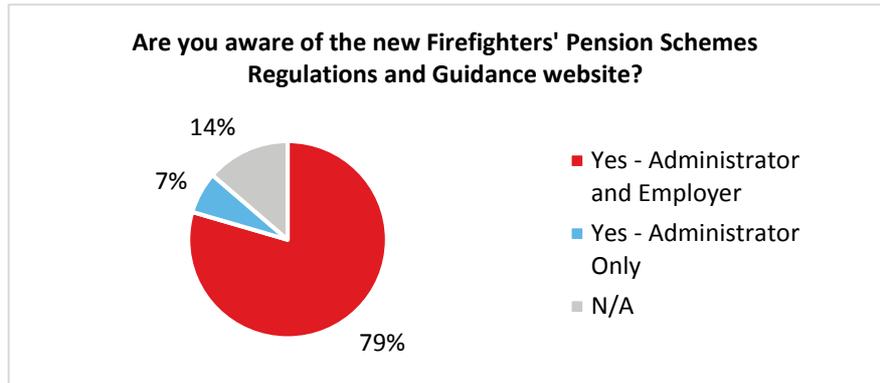
FRAs were also asked to indicate whether difficulties they have when making decisions are as a result of a lack of support nationally. Only 16% indicated that they felt that was a factor in making decisions relating to pensionable pay or ill-health early retirements. Comments provided suggest difficulties arise due to issues around pensionable pay as well as confusion around FRA responsibilities.

Reasons for the variability in responses could include personal experience for respondents and / or understanding and awareness of the information available. The Board should however consider what changes could be made to ensure that FRAs and administrators consistently feel they are being well supported by national and regional groups taking particular note of the complexity of the Scheme.

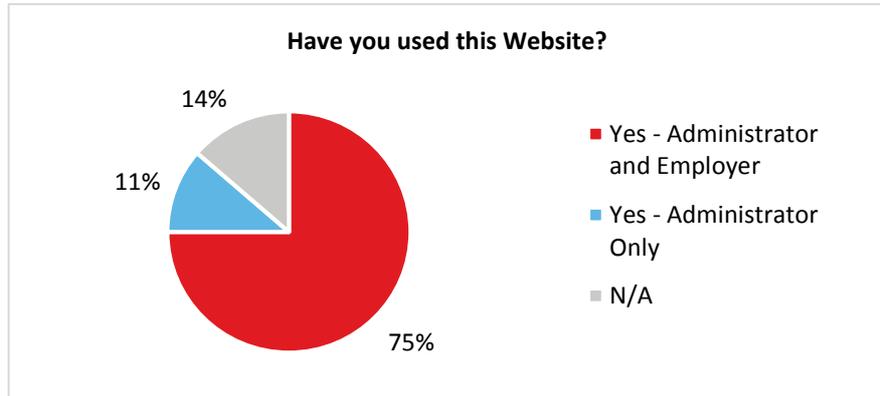
**Views on new Firefighters' Pension Schemes Regulations and Guidance website**

Views were sought on whether respondents are aware of the new Regulations and Guidance website (<http://www.fpsregs.org>) if they had used it and how they rated the content and ease of finding information.

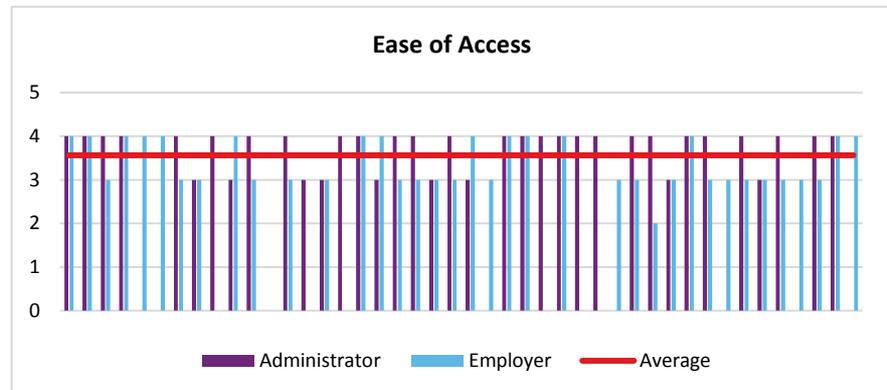
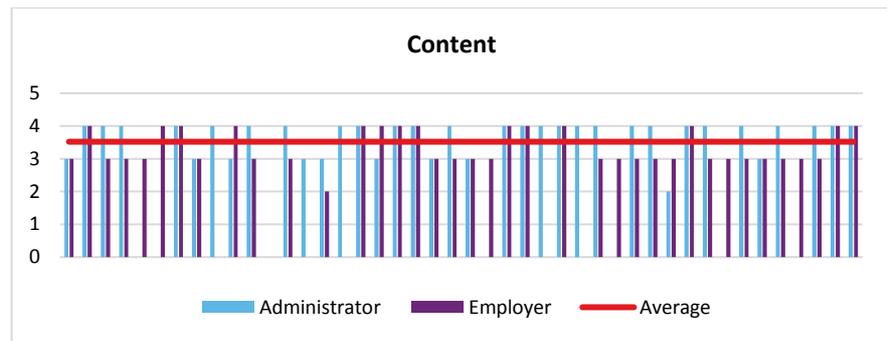
Most administrators (86%) are aware of the new website. 21% of FRAs and 14% administrators did not indicate they were aware of the website. We understand that steps are already in place to promote this website but the Board may wish to reflect on what more could be done to ensure all stakeholders are aware of the website. Our assumption is that the Scheme would be more effectively managed and administered if support which is already available were universally used.



In terms of using the website, again the figures are higher for administrators than for FRAs. Across both groups three-quarters have used the site but consideration should be given as to if and how to extend its use to all FRAs and administrators given the breadth of information available via the site.



The ratings provided by both FRAs and administrators on the content and ease of access on the website were almost all positive, with a few comments provided which indicated that the site was in development.



**Where additional support is required**

Both FRA and administrators were asked to indicate where they felt additional support is required. Many provided details of topics on which they wanted more information and others requested support on the process and timeframe for receipt of information. A shortlist of responses from both surveys is added below for information.

FRA responses:

- Pensionable pay – clarification on the definition of pensionable pay to achieve a nationally consistent approach (including assumed pensionable pay guide)
- Pension abatement – how to calculate this, especially for retained firefighters
- Protected status – clarification on this in cases where a member takes on additional role(s) or returns within 5 years
- Annual allowance guidance
- Re-engagement and protected pension age
- Ill-health retirement – the role of HR and Occupational Health
- A modeller for 2015 scheme
- Simplified fact sheets and communication for FRAs to use for staff awareness e.g. HR administrators
- Reduction in discretions or an agreed national approach to discretions
- Information to be signposted more clearly and presented in a straightforward way to aid understanding at a transactional level

- More timely information, i.e. taking less time to share guidance on national issues/changes

Administrator response:

- Training available on all areas of scheme administration
- Scheme specific adapted version of the LGA's Annual Allowance factsheet for members of the LGPS
- Annual Allowance and tax information for members
- Timeline regulations for administrators
- Support with accessing information where there are historical, unusual and unique issues/enquiries
- National workshops days
- Information regarding transitional benefits for re-joiners
- Updates regarding court rulings and their effect on administration
- Compensation only scheme and added years help
- Pensionable pay guidance and information
- Further advice regarding submitting tax returns to HMRC

We understand that support and guidance in many of the areas listed above are already provided or are being developed by the LGA. We recommend that the Board considers these comments and what additional steps could be taken to enhance the use of existing support. In relation to administrators' requests for additional support, it is worth noting that administrators do not currently contribute towards the Board levy.

These comments also raise the question of the structure of the Scheme itself in relation to how it is managed and administered and in particular, whether 45 FRAs and 19 administrators is the most cost effective and efficient approach.

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## 7. Summary of Findings

### Introduction

The survey responses (and non-responses) highlight areas and themes which may require attention by the Board, FRAs, administrators and Local Pension Boards in order to ensure an effective and efficient administration service is being delivered to Scheme members.

This section seeks to summarise answers to the questions we highlighted in the introduction of this report including:

- Do members receive a good service and are the right benefits paid at the right time?
- What is the administration cost per member?
- What themes and patterns emerge from the evidence?
- Could anything be done differently or better (i.e. recommendations)?

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### Do members receive a good service?

#### Are the right benefits paid at the right time?

Interpretations of a good service may vary but as minimum a good service should be in line with what is legally required. We therefore start with assessing the extent to which this is the case.

There are various items of legislation<sup>11</sup> which set out the time limits for the provision of information to scheme members. A member of a pension scheme has rights to receive certain information without needing to request that information and within a time limit set out in legislation.

For example, a member should receive a notification of joining the Scheme 2 months from date of joining, or within 1 month of receiving jobholder information where the individual is being automatically re-enrolled.

From the 44 responses received from the administrators 9 (or 20%) either did not provide this information or provided information that would indicate that they do not always meet the legal timeframe.

For retirement benefits, a member must receive notification 1 month from date of retirement if on or after Normal Pension Age and 2 months from date of retirement if before Normal Pension Age. Here the service provided appears much better as almost all administrators responded to indicate that the timeframe they worked to was shorter than the period set out in legislation.

It is clear that we cannot indicate that the right benefits are paid at the right time to all members given the lack of clarification in the survey responses. From the responses received it is also clear that not all administrators are working to legal timeframes.

#### Online communications

Good service is more than just meeting legal requirements. We are living in a time where digital developments are ever increasing and with that brings the expectation from members to have access to digitalised platforms.

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<sup>11</sup> Regulations include the Occupational and Personal Pension Schemes Disclosure of Info) Regulations 2013, the Occupational Pension Schemes (Preservation of Benefit) Regulations 1991 and Occupational Pension Schemes (Transfer Value) Regulations 1996. In addition, the Pension Schemes Act 1993.

64% of administrators do not provide members with an online self-service facility, although over half have indicated that they plan to do so in the near future. Bringing more online capabilities forward for members could help provide a better administration service to firefighters.

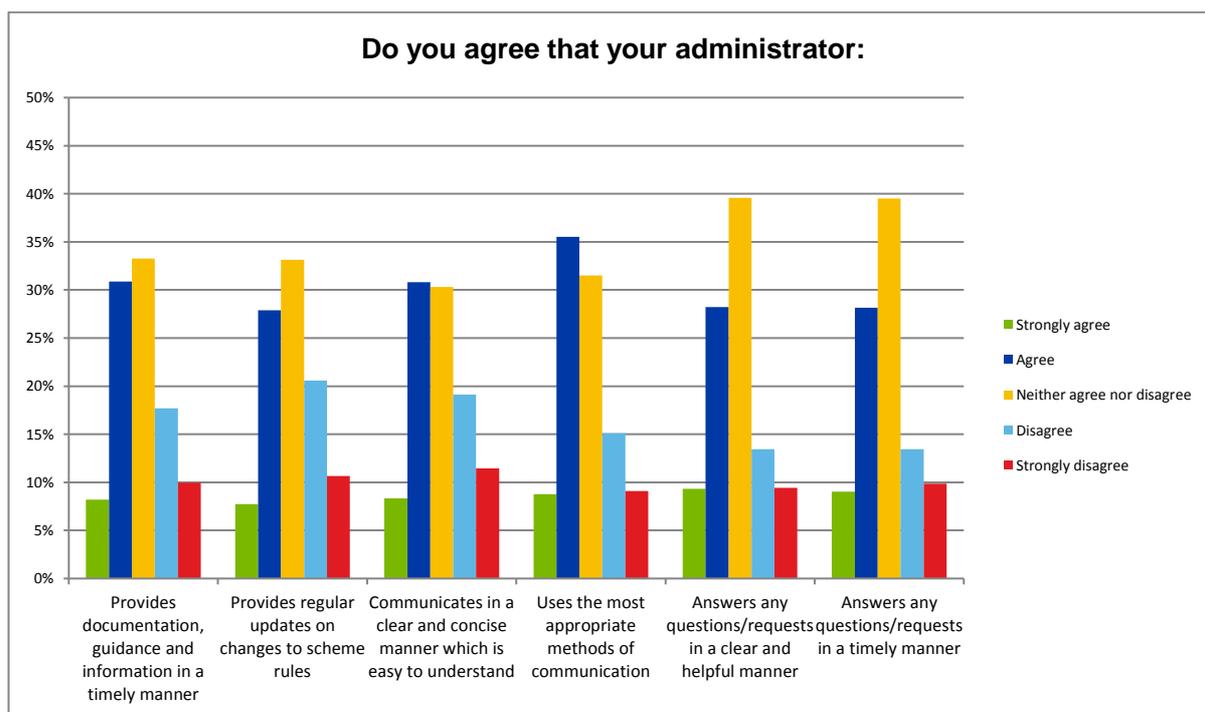
A good service to members also requires provision of information that is accurate and timely. 1 FRA indicated they often had difficulties in providing data for the administration of the Scheme and 16 FRAs sometimes had problems. Understanding how to reduce and remove challenges to the provision of data is key to provision of effective administration and ultimately a good service to members.

### Complaints

The number of complaints through the Internal Dispute Resolution Procedure (IDRP) is a good barometer of whether members are receiving a good service. 11 administrators had no IDRP complaints, with 22 having between 1 and 5 in the last 3 years. 10 had 5-10 in the last 3 years while one administrator had over 20 in the last three years. While that final statistic is concerning the overall trend is positive regarding IDRP complaints.

### Scheme member perspective

The views of scheme members are also paramount when evaluating the service they receive. The findings of that survey indicate that while many agree or strongly agree that they get information and that it is clear and concise, the majority didn't comment with more strongly disagreeing in all cases than strongly agreeing.



From the evidence available it would be difficult to say that administration is effective and a good service is in place for all members. We have made recommendations in the next section about how improvements could be achieved.

**What is the administration cost per member?**

By taking annual costs of FRA staff, the administration costs paid by FRAs, additional cost for administration systems and other annual costs for the Scheme related activities we have worked to arrive at a cost per member for the Scheme. This has been challenging given that a number of FRAs did not provide complete information and we are unable to check the accuracy of all figures. We have also broken down the cost per member depending on the size of the FRA's total membership (based on data provided by GAD) to demonstrate differences that arise in different size FRAs.

The information provided is summarised in Appendix 1. Our analysis of the data provided by FRAs indicates that the cost of administering the Scheme was £76.80 per member in 2018 (taking into account internal FRA staffing costs and external administration and software costs but excluding the cost of special projects). This rose to £120.33 once the costs of special projects were taken into account.

Average cost per member – across Scheme (based on FRAs who responded)	Average cost per member for FRAs with 500-1,000 members	Average cost per member for FRAs with 1,000 to 2,000 members	Average cost per member for FRAs with more than 2000 members
£76.80	£120.40	£89.32	£60.89

These figures exclude costs for special projects. Including them gives the following total costs:

Average cost per member – across Scheme (based on FRAs who responded)	Average cost per member for FRAs with 500-1,000 members	Average cost per member for FRAs with 1,000 to 2,000 members	Average cost per member for FRAs with more than 2000 members
£120.33	£260.78	£134.99	£84.72

We consider below how these costs compare to other UK pension schemes.

**Themes**

From the evidence across the three surveys there are a number of themes that have emerged across the following areas:

- Complexity of the Scheme
- Relationships – interaction and perception
- Reporting – including what is reported between key stakeholders and how effective does that appear
- Data – including quality, timeliness and understanding requirements
- Engagement and communication – current provision and perception
- Breaches of the law – what is reported and completeness of reporting.

**Complexity of the Scheme**

Across each of the surveys, Scheme members, administrators and FRAs are clear in their concern about the complexity of the Scheme benefits and the challenges that creates.

Almost a quarter of FRAs believe they have an average understanding of the Scheme (rather than good or excellent). In addition, 66% of FRAs find it difficult to make decisions in relation to the Scheme where there are discretions such as in relation to pensionable pay or ill-health early retirement, due to the complexity involved.

Of the Scheme members who responded to the survey 855 members (or 22.25%) indicated they do not understand the benefits the Scheme offers with 1,515 members (39.43%) unsure.

When FRAs were asked if they could change one thing about the scheme 37 provided comments and of those 32 referred to the need to reduce complexity or increase clarity and simplicity around various aspects of the scheme.

### **Relationships – interaction and perception**

The majority of administrators (30) rated the service levels they offer in relation to the income they receive as excellent. There were some FRAs who either identified problems with the current service levels so there are different experiences for the relationship between administrators and FRAs.

86% of administrators also feel that the FRAs are appropriately resourced to provide them with the required information/data to perform their duties in relation to the Scheme.

For FRAs who had changed their pensions administrator in the last 3 years or were planning to do so, the primary reason given was the end of contract/previous administrator not retendering while only 18% set out reasons of cost effectiveness and unsatisfactory service.

These findings when taken together appear to signify that the interactions between both parties and the perception of the relationship is in the main reasonably positive. Some FRAs identified frustrations with separate payroll and pensions systems.

### **Reporting**

Reporting activity both in terms of what is reported, and its frequency, appears to be very variable across the Scheme.

59% of administrators do not report back to the FRA on the FRA's performance and 11% indicated they do not report on their own performance to the relevant FRA. The Local Pension Board has a legal responsibility to assist the Scheme Manager in securing compliance with the Scheme regulations and guidance and ensure efficient administration, so it is a concern that 43% of administrators indicated that they did not report to the Local Pension Board.

The survey also included questions regarding special projects and the additional resources and costs required for these projects. Administrators' responses on these questions were variable and not complete which may signify a lack of reporting available internally at project level.

The FRA's responses also demonstrate the variability of the timing of reports, for example when asked how often FRAs receive an administration

report from their administrator a range of answers were provided: 18 received it monthly, 15 quarterly, 4 annually, 4 over a different (non-specified) period, 2 failed to respond and 1 never received such a report. These findings provide strong evidence to suggest that greater prescription in relation to reporting requirements may be needed between the administrator and the FRA.

### **Data**

The findings from the administrator and FRA survey suggest similar issues regarding data quality, timeliness and overall understanding of what is required. Given that the Scheme is a single employer scheme, one might expect reasonably higher levels of data quality compared to a multi-employer scheme.

Administrators in the main did not appear overly concerned with the timeliness of information received from FRAs with only 18% indicating that as a concern. Quality wise too they indicated contentment with data quality, only 9% indicated this was an issue. However, 16 FRAs sometimes have difficulties providing data to the administrator due to quality of data issues or where there is a lack of clarity around what is actually required by the administrator. There appears to be a need to consider improving how data is transferred for some administrators and FRAs given that 38% of FRAs and 32% of administrators indicated that they do not currently operate an employer self-service facility. Clearly data is not the only factor, but it may be impacting on why a third of members did not agree that they received timely responses to queries and requests.

### **Engagement and communication**

More than two-thirds of administrators (68%) indicated that they felt that Scheme members have greater expectations than members of other schemes they administer. 22 administrators also felt unsure about whether members actually understood what they received with only 3 feeling completely confident members understand the information they receive.

27% of members don't know who their administrator is, and there are also 61% of members who partly understand or don't understand the Scheme. In addition, over 500 comments were made regarding the service and communication provided. They varied with many positive comments but equally many set out concerns regarding the level of customer service they have received.

In addition, 18% of administrators do not have a dedicated Scheme website and 64% do not have any online self-service capabilities for scheme members at present.

### **Breaches of the law**

The survey responses seem to indicate that there are very few breaches of the law in the Scheme. Just 1 administrator indicated that they had 2 breaches over the past 3 years (both of which were reported to the Pensions Regulator). 4 FRAs indicated they had breaches (3 with 1 breach and 1 with 2 breaches) over the past 3 years, but we do not know if these were reported to the Regulator. For a scheme the size of the Firefighters' Pension Scheme these statistics are surprisingly low and do not appear to

align with the information TPR have recently reported from its 2018 Governance and Administration Survey.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, issuing annual benefit statement and calculating benefits. FRAs and administrators should be recording all breaches, even those not reported, this can help in determining the materiality of a breach for example where there have been numerous similar cases over a period of time. This is an area that should be addressed, see recommendations set out below.

### **Costs**

As indicated above, our analysis of the data provided by FRAs indicates that the cost of administering the Scheme was £76.80 per member in 2018 (taking into account internal FRA staffing costs and external administration and software costs but excluding the cost of special projects). This rose to £120.33 once the costs of special projects were taken into account.

In order to assess whether this represents value of money, and hence whether the administration of the Scheme can be considered cost effective, it is necessary to compare these costs to other UK pension schemes. Care needs to be taken when drawing conclusions from any comparisons since the Scheme is unique amongst public service pension schemes in that it is a national, unfunded scheme but is administered and managed locally. It is also very different from private sector schemes because of its statutory, unfunded nature. We have considered publicly available information on the administration costs of other schemes to provide some context in which the Board may be able to assess whether changes could be made to drive greater efficiency and cost savings in the management and administration of the Scheme.

### **LGPS costs**

Publicly available information indicates that the costs of administration, oversight and governance of the LGPS in England and Wales was £30 per member in 2017/18<sup>12</sup>. Whilst also locally managed, the LGPS is a materially larger scheme and hence it may not be realistic to assume that the Scheme could be administered for a similar cost. Conversely, the LGPS is a multi-employer and funded scheme so some of its costs will relate to advice and administration work associated with the notional allocation of assets to employers and other funding arrangements which do not apply to the Scheme.

### **Private sector schemes**

The most recently available data for private sector schemes was published by the Pensions Regulator (TPR) in 2014<sup>13</sup>. TPR's analysis covered seven cost areas including administration, independent trustee fees, actuarial, legal, covenant, investment and other external costs.

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<sup>12</sup> From data published by MHCLG:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/748759/LGPS\\_England\\_and\\_Wales\\_2017-18.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/748759/LGPS_England_and_Wales_2017-18.pdf) including administration and oversight and governance costs.

<sup>13</sup>:

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/db-scheme-costs-research-2014.ashx>

The data considered costs in 2012 and found that the average per member costs were as follows:

- £182 for schemes above 5,000 members based on 24 schemes,
- £281 for schemes with between 1,000 and 4,999 members, based on 75 schemes,
- £505 for schemes with between 100 and 999 members based on 106 schemes.

We would expect that the costs of managing the Scheme should be materially lower than for private sector schemes because:

- private sector schemes are funded so their costs will include the monitoring of investments and asset managers and actuarial valuations as well as covenant assessments and monitoring of the sponsoring employer(s),
- there are additional compliance requirements for private sector schemes, including provision of information to the Pensions Protection Fund and to TPR and annual funding statements to members.

TPR's report shows that allowing only for administration costs, the average per member costs were:

- £53 per member for schemes above 5,000 members (25 schemes);
- £89 per member for schemes with between 1,000 and 4,999 members; (77 schemes); and
- £172 per member for schemes with between 100 and 999 members (110 schemes).

It is difficult to draw too many conclusions from the data as we cannot guarantee a like-for-like comparison and the administration costs for private sector schemes above exclude legal and actuarial fees. However, on the face of it, the cost of administering the Scheme does seem quite high relative to both the LGPS and largest private sector schemes (although TPR's data set for the largest schemes was very small). Ensuring complete and accurate data on costs which is monitored year-on-year should assist the Board in determining whether the Scheme is being administered cost effectively. It may be premature to conclude that cost savings can be easily delivered noting the complexity of the Scheme and the fact that we have had to make a number of assumptions in analysing the data provided by the FRAs due to it not being fully complete.

We also note that there may be further "special projects" in future, including implementation of any benefit changes following the cost management process, indexation and equalisation of GMP and of course the possibility of a remedy being required in relation to the McCloud/Sargeant case.

## 8. Recommendations

### Introduction

Based on the findings of the surveys of administrators, FRAs and scheme members we have made practical recommendations in 7 areas for the Board to consider in the aim of improving the effectiveness and efficiency of the administration of the Scheme.

These include:

1. Address complexity in the Scheme through:
  - a. Scheme changes and structure: Including reduction in local decision making, greater regard to administrative implications of legislative changes and review of current structure to ensure model of delivery is fit for purpose.
  - b. Improving monitoring: Both at local and national level to enable greater clarity on the areas of complexity impacting standards
  - c. Further engagement and communication: Greater use of technology to enhance member experience and encourage greater engagement from FRAs and administrators to use information and communication already centrally available.
2. Encourage greater collaboration across the Scheme and introduce consistent standards to address data issues and ensure members receive a consistently good service regardless of location.
3. Ensure there is clarity on timescales for key administrative processes e.g. through a requirement to publish a locally developed Administration Strategy
4. Encourage greater engagement between administrators and FRAs including stronger links between them on performance monitoring as well as a greater role for Local Pension Boards
5. Reduce key person risk and ensure resource plans are in place
6. Better understanding and recording of breaches of the law
7. Develop a template for collection of administration and associated costs on an annual basis, with the information on costs then being published, enhancing transparency and understanding of the costs of running the Scheme in support of the Board's functions.

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### Reduce complexity in the scheme

(across 3 areas)

All three sets of stakeholders responded overwhelmingly that the complexity of the Scheme is a significant challenge. When asked for preferences for change many focused on the need to reduce the complexity of the Scheme and sought greater simplicity across the range of benefits offered. The unique nature of the Scheme in relation to different tranches of members in the 1992, 2006 (both special and standard members) and 2015 schemes is likely to lead to higher administration costs as well as higher risks of mistakes being made in benefit payments, although we found little evidence of the latter other than member perceptions in relation to the accuracy of data provided.

Despite potential legal limitations in simplifying benefits there are options available to benefit all stakeholders and reduce current levels of complexity going forward.

The Board could consider the following routes including (1) scheme changes/structure, (2) improving monitoring, (3) engagement and communication.

### **(1) Scheme Changes and Structure**

- Reduction in local decision making – While many would consider the ability to make decisions locally (in line with specific circumstances) essential it appears that on the issue of pensions this is not considered helpful by all respondents. Many indicate that a reassessment of the areas of the Scheme where local discretions exist could help reduce complexity.
- We understand that a simplification project (relating to scheme regulations etc) is being undertaken for the LGPS by its SAB and perhaps a similar project could be undertaken by the Firefighters' SAB in relation to FRA discretions and other areas of legislative complexity.
- Greater regard to the administration implications of legislative changes – major developments in pensions policy over recent years for public service pension schemes specifically and more widely across the pensions sector have led to an increasingly complex landscape. The Board may wish to consider if and how any future changes (e.g. following the conclusion of the McCloud/ Sargeant case and cost management process) are implemented with reasonable lead-in times for FRAs and administrators and central guidance for all stakeholders including members which ensures transparency and clarity on the relevant changes. We recognise that administration should not drive policy however we do think that greater attention could be paid to the administrative implications of future changes particularly taking into account the unique nature of the Scheme.
- Review the current overall structure of the Scheme to ensure the model of delivery is fit for purpose. It could be argued from the data emerging that some elements of the complexity in the Scheme arise from the current structure of 45 scheme managers and 19 administrators. Responsibility to comply with over-riding pension legislation sits with each Scheme Manager, which are differently constituted. They can be a combined authority, or the FRA function can sit within a Police Fire and Crime Commissioner, the Mayor's office or a County Council. Each Scheme Manager is required to administer the Scheme either in-house or through the appointment of a third-party administrator. There are currently 19 different pension administrators across the Scheme. The findings from the surveys does pose the question "is that structure a barrier to consistency (and by extension, greater efficiency of administration and management) across the Scheme?". For example, there is a lack of clarity on costs and resources across the Scheme as well as how projects are addressed and dealt

with. It is also not clear that, with a clean sheet of paper, you would design a Scheme with 45 Scheme Managers and 19 administrators for an overall membership of less than 100,000 (noting that some LGPS funds have more than 100,000 members).

There is currently no visibility at all on how much it costs to manage the Scheme. There is no administration levy in place for the Scheme unlike centrally administered unfunded public service schemes. Scheme managers have to fund pension costs arising from the administration and management of the Scheme from their operating accounts. The top-up grant provided from central government covers pension payments only rather than administration costs. It is possible that there would be more imperative for Government to limit complexity if those costs were more visible.

The level of complexity is partially driven by the structure itself, making comparison difficult and delivery of support more disjointed. Greater collaboration between FRAs and administrators may help, but the latter are in competition to a large extent and we believe a root and branch approach to reviewing the appropriateness of the current structure should be considered. It could also consider:

- how costs relating to administration services at local level are provided for; and;
- who should contribute to the Scheme Advisory Board levy and LGA costs for the provision of information, training etc given that the analysis suggests there is an appetite for the Board to provide greater support across a wider range of areas.

Any changes in structure could be optional or could be mandated from central government. In 2011 Lord Hutton set out in his report on public service pension schemes that the Government should "examine closely the potential for the unfunded public service schemes to realise greater efficiencies in the administration of pensions by sharing contracts and combining support services, including considering outsourcing"<sup>14</sup>. Some of this has already taken place in the Scheme but a structure of 45 Scheme Managers remains in place. Greater focus should now be placed on achieving an optimal structure to deliver an increasingly complex scheme which faces further requirements post Cost Cap and potentially from the Sargeant and McCloud judgements along with the incoming industry developments such as Pensions Dashboards. Coupled with resource challenges a focus should be on understanding the cost and benefits of any review of the structure of the scheme. We recognise that this recommendation

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<sup>14</sup> Source: Independent Public Service Pensions Commission: Final Report (March 2011) recommendation 23 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/207720/hutton\\_final\\_100311.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf)

is more long-term in nature given the work that would be required to achieve changes in the Scheme's structure.

**(2) Improve Monitoring** – better monitoring both at local level and nationally will enable greater clarity on the areas of complexity impacting standards and the overall service to scheme members. The Board could consider:

- Improving local monitoring – performance is measured against statutory deadlines by the majority of administrators but not all administrators report their performance to the FRA. We recommend that all administrators provide regular (at least quarterly) information to the Scheme Manager against a set of nationally recommended performance measures which align at least with statutory requirements and where possible strive for improved performance against wider best practice in the pensions industry.
- Making better use of the scrutiny system that exists through each Local Pension Board – almost half of administrators indicated they did not report their performance to the Local Pension Board. We recommend that all Local Pension Boards are in receipt of performance statistics on a regular basis (normally in line with meeting cycles) to enable them to monitor standards and ensure compliance in relation to the administration of the Scheme
- National collation of data – a regular exercise (e.g. annually) where information such as that collated in this project should be considered. This would build a national picture on an ongoing basis to support the monitoring of the Scheme's administration and management and facilitate comparisons. Greater cross scheme information allows for improved understanding of challenges facing scheme managers/FRAs and administrators which can in turn allow for appropriate policy decisions regarding the approach to administration across the Scheme. The LGPS Scheme Advisory Board publishes an annual scheme report collated from the reports across LGPS funds in England and Wales and perhaps a similar approach could work for the Scheme (albeit the underlying information would of course have to be available). See recommendation 7 below.

### **(3) Engagement and Communication**

- Greater use of technology to enhance member experience – there is use of technology across some administrators/ scheme managers but there is clearly an opportunity for greater use of member self-service facilities. Making access to information easier could offer some reassurance to members about their benefits but it would also need to be accompanied by clear communication to explain benefits either in writing or through member engagement events. This approach will also see the Scheme keep pace with the modern-day communication expectations held by members.
- We believe there is already a range of information available centrally, but it is not always clear from the evidence collected

as part of this project that all stakeholders are aware of that information. The Board should consider how they can encourage greater engagement from FRAs and administrators to use information and communications that are already provided centrally. Some areas of concern raised in the survey responses include annual and lifetime allowance calculations and pensionable pay where many respondents highlighted complexity. In the very short term more could be done to ensure information available is highlighted to key stakeholders and we understand that actions are already being taken to highlight centrally provided information.

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**Collaborative approach to address data issues**

As noted above there are issues for some administrators and FRAs relating to data quality and timeliness and overall understanding of what is required. There is also a much greater focus on data quality from TPR recently and this should also drive improvements in the Scheme's data.

We understand the Board's Administration and Benchmarking Committee is now working to review terminology used in the annual return to TPR which we believe will be helpful to ensure a consistent approach across the information provided by the scheme's administrators and FRAs.

We also recommend that the Board considers encouraging administrators (in all cases) to provide timely reports to FRAs on data issues. This reporting should be considering in line with a Data Improvement Plan (as required) to provide a clear framework. Consideration should also be given to seeking greater involvement from Local Pension Boards on this issue.

Greater electronic provision of information between FRAs and administrators should be pursued to assist in the timely provision of information and encourage regular collection of data which will hopefully drive the accuracy of data.

Further training requirements and information could be made available centrally and well as suggested frameworks for performance metrics and where not achieved, the use of penalties.

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**Provide clarity on timescales for key processes through a locally developed Administration Strategy**

There are various areas of legislation which set out the time limits for the provision of information to scheme members. A member of a pension scheme has rights to receive certain information without needing to request that information and within a time limit set out in legislation. The evidence from the surveys suggests that legal timeframes are not always being achieved.

We suggest that the Board considers recommending regulatory changes to encourage best practice among all scheme managers/FRAs and administrators across the Scheme. This could be achieved by setting out requirements for each Scheme Manager to have a locally developed pensions administration strategy in place. This could be mandated but as a minimum it could set out the need to have one to demonstrate best practice (as is the case in other schemes such as the LGPS). An administration strategy should set out the scheme manager's aims and

objectives and how those are going to be achieved in conjunction with the administrator. Performance against those aims, and objectives, must then be appropriately measured and monitored and where administration levels are not to the required standard, plans should be in place to address those areas of concern. An administration strategy should be determined locally (with support in doing so made available from centrally prepared guidance).

A range of target timescales should be determined by each FRA and it is good practice for them to be included in an administration strategy. Scheme managers may wish to set shorter timescales or other targets for specific processes rather than relying on legal timescales in all cases. The administration strategy should be publicly available for all stakeholders (including members). It could also set out the consequences of what not achieving those targets would be.

We recommend that the Board assists scheme managers by providing guidance on setting expected timescales or key performance indicators which could be aligned with the provision of an effective and efficient administration service.

This should help address the issue of the lack of consistency across the Scheme at present when processing key benefit calculations and providing required information to scheme members.

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**Greater engagement between administrators and FRAs required**

There is greater scrutiny on public service pension schemes following the introduction of the Public Service Pensions Act 2013 as well as the numerous changes to the scheme benefits over the past 15 years. More than ever administrators and scheme managers need to work together with greater collaboration to ensure an excellent service is being provided to scheme members. The data supplied by both administrators and FRAs on certain items in the survey (e.g. breaches) is not consistent, perhaps demonstrating a lack of collaboration between the parties.

We recommend that stronger links are forged between the administrator and FRA to the Local Pension Board to ensure performance is being monitored locally so that issues can be identified. Local Pension Boards should play a key role in improving the administration of the Scheme and in promoting the existing range of LGA training materials and signposting information which is already available centrally to stakeholders (including members).

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**Reduce key person risk and ensure resource plans in place**

There are clear resourcing differences across the Scheme and we recommend the continued use of national groups and collaboration across the Scheme to help those with resource challenges.

There was a lack of clarity in responses on the resources needed for recent special projects. We recommend that FRAs in conjunction with their administrators have clear business plans in place which are regularly reviewed and monitored and that more precise reporting is undertaken to allow comparison and review of one-off activities.

Regular assessment of resources and capacity at a national level would also help ensure a clearer view of the Scheme's landscape and inform policy makers.

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**Better understanding and recording of breaches**

We understand that centrally provided guidance on breaches is already available and that training for scheme managers and Local Pension Boards provided from national bodies (with slides stored on the national Scheme Advisory Board website) sets out how to report breaches to TPR. Despite this it appears that there is a lack of clarity in terms of the accountability of recording and reporting breaches (the number reported in survey responses was very low). We recognise that breaches in a single employer scheme will be lower than other public service schemes but given that FRAs have reported different information from administrators, this also demonstrates discrepancies here.

FRAs, administrators and Local Pension Boards should familiarise themselves with existing resources on how to record and report breaches of the law. We also suggest that each FRA, in conjunction with their administrator is required to revise its local policy and procedure on reporting breaches including details of where the information is logged, who should be consulted (in line with recommendation for greater engagement) and to whom and how it is reported.

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**Annual central data collection exercise**

This is the first time that an exercise to gather cost data across the Scheme has been undertaken. This work should therefore be seen as the first step towards using an evidence-based approach to ensure the effective and efficient administration and management of the Scheme.

We recommend that the Board develops a template for collection of administration and associated costs on an annual basis, with the information on costs then being published on the Board's website, enhancing transparency and understanding of the costs of running the Scheme for all the Scheme's key stakeholders. This activity would also be in support of the Board's functions.

Comparison with other schemes can be helpful but the unique nature of the Scheme makes it difficult to draw too many conclusions on the absolute level of costs. However, enabling FRAs to compare their costs against a national average may assist in identifying areas where cost savings can be made. Further, if the Board is able to monitor costs over time, it may be able to ascertain whether special projects are continuing to lead to additional costs and work for FRAs and administrators and whether administration business as usual is becoming more or less costly. Once those trends are identified it should be easier to identify what action can be taken, if needed, to achieve greater cost efficiency in the delivery of Scheme benefits without compromising the quality of service to members.

## Appendix 1: Cost Data

Cost type / survey question	Total costs	Number of FRAs responding*	Average per responding FRAs	Average per responding FRAs split by size				Average per member of responding FRAs	Average per member of responding FRAs split by size			
				100-500	500-1,000	1,000-2,000	2,000 and above		100-500	500-1,000	1,000-2,000	2,000 and above
What is the total (actual not FTE) salary for all staff working on FPS related tasks in the following departments in £s? (Only count the proportion of time staff are working solely on FPS related matters.)	£1,795,670.36		£68,706.32	£2,650.00	£40,841.00	£58,322.26	£101,752.20	£34.11	£5.69	£47.26	£41.27	£24.51
Finance	£479,463.00	33	£14,529.18	£2,650.00	£8,285.25	£13,358.60	£22,062.50	£7.03	£5.69	£9.46	£9.12	£5.06
Payroll	£472,855.96	28	£16,887.71	£0.00	£11,266.25	£10,731.56	£32,010.75	£7.71	£0.00	£12.83	£7.50	£7.34
HR	£602,436.40	30	£20,081.21	£0.00	£18,839.50	£15,150.30	£31,796.63	£9.33	£0.00	£21.75	£10.67	£7.16
Other (please specify)	£240,915.00	14	£17,208.21	£0.00	£2,450.00	£19,081.80	£15,882.33	£10.03	£0.00	£3.22	£13.98	£4.96
What is the current annual fee charged by your administrators (if external)? (2017-18 figures)	£1,855,120.00	35	£53,003.43	£0.00	£34,111.60	£36,363.86	£110,569.63	£26.28	£0.00	£38.51	£25.09	£25.80
What is the current annual fee charged by your software provider? (2017-18 figures)	£320,925.00	15	£21,395.00	£13,000.00	£19,521.50	£16,751.38	£33,717.75	£8.55	£27.90	£21.21	£13.51	£5.33
What additional (estimated) costs have you incurred for implementing/rectifying cases for the following "special" projects? (This should include internal and external costs) - (Special Projects, Estimated Costs)	£1,091,169.00		£81,569.94	£17,600.00	£122,426.83	£61,152.65	£75,154.27	£43.53	£37.77	£140.37	£45.67	£23.84
Implementation of the 2015 Scheme [£.....]	£288,354.00	14	£20,596.71	£0.00	£50,027.33	£12,522.50	£12,627.40	£10.91	£0.00	£57.70	£9.24	£4.02
GAD v Milne [£ ]	£67,195.00	12	£5,599.58	£0.00	£4,560.00	£6,385.71	£4,458.33	£3.23	£0.00	£4.95	£4.80	£1.39
18-20 contribution holiday [£ ]	£22,394.00	13	£1,722.62	£0.00	£2,180.00	£1,645.33	£1,632.40	£0.93	£0.00	£2.37	£1.23	£0.57
Retrospective pensionable pay issues including Norman v Cheshire [£ ]	£194,520.00	14	£13,894.29	£0.00	£7,735.50	£16,936.86	£12,098.20	£7.31	£0.00	£8.65	£12.17	£4.01
GMP reconciliation [£ ]	£193,260.00	16	£12,078.75	£0.00	£26,195.00	£6,891.75	£14,289.33	£4.72	£0.00	£31.09	£5.18	£3.00
APB discretions [£ ]	£43,821.00	7	£6,260.14	£0.00	£6,740.00	£2,907.50	£7,816.50	£2.91	£0.00	£7.29	£2.15	£2.73
TPR data reporting requirements [£ ]	£45,306.00	8	£5,663.25	£0.00	£13,539.67	£1,166.67	£593.50	£3.89	£0.00	£15.62	£0.96	£0.22
Special members of the 2006 scheme [£ ]	£236,319.00	15	£15,754.60	£17,600.00	£11,449.33	£12,696.33	£21,638.60	£9.63	£37.77	£12.70	£9.94	£7.89

Cost type / survey question	Total costs	Number of FRAs responding*	Average per responding FRAs	Average per responding FRAs split by size				Average per member of responding FRAs	Average per member of responding FRAs split by size			
				100-500	500-1,000	1,000-2,000	2,000 and above		100-500	500-1,000	1,000-2,000	2,000 and above
<b>What are your annual costs for other FPS-related activities?</b>	<b>£269,379.78</b>		<b>£13,839.63</b>	<b>£9,000.00</b>	<b>£12,010.00</b>	<b>£13,837.18</b>	<b>£16,816.67</b>	<b>£7.86</b>	<b>£19.31</b>	<b>£13.42</b>	<b>£9.45</b>	<b>£5.24</b>
IAS19 advice and reporting - £ (please provide 2018 costs)	£216,219.21	29	£7,455.83	£9,000.00	£7,300.00	£8,284.40	£4,816.67	£3.73	£19.31	£8.19	£5.93	£1.00
Provision of cashflow forecasts to home Office - £ (please provide 2018 costs)	£29,715.57	12	£2,476.30	£0.00	£2,560.00	£2,504.45	£2,000.00	£1.82	£0.00	£2.90	£1.85	£0.71
Other - £ per annum please specify activity	£23,445.00	6	£3,907.50	£0.00	£2,150.00	£3,048.33	£10,000.00	£2.32	£0.00	£2.34	£1.68	£3.53
<b>Total costs</b>	<b>£5,332,264.14</b>		<b>£238,514.32</b>	<b>£42,250.00</b>	<b>£228,910.93</b>	<b>£186,427.34</b>	<b>£338,010.51</b>	<b>£120.33</b>	<b>£90.67</b>	<b>£260.78</b>	<b>£134.99</b>	<b>£84.72</b>
<b>Total costs excluding special projects</b>	<b>£4,241,095.14</b>		<b>£156,944.38</b>	<b>£24,650.00</b>	<b>£106,484.10</b>	<b>£125,274.68</b>	<b>£262,856.25</b>	<b>£76.80</b>	<b>£52.90</b>	<b>£120.40</b>	<b>£89.32</b>	<b>£60.89</b>

\* based on non-zero responses only for each element of the question

## Appendix 2: Admin cost per number of functions

The table below shows the number of functions carried out by the administrators and compares it to the administration costs for that FRA divided by the total number of Scheme members for that FRA. The data has been sorted from the lowest cost per member to the highest cost per member. FRAs which did not provide administration costs have been excluded. In some cases this was because the administration is carried out in-house (our survey asked for administration costs where there was an external administrator). In other cases the information was simply not provided.

Issuing new starters with scheme information	Issuing members with information about regulatory amendments	Processing calculations such as retirements/ transfers/ divorces	Issuing calculation correspondence to the Fire organisation	Issuing calculation correspondence to the member/their representatives	Managing the IQMP process	Resolving and answering pension related queries from members and/or their representatives	Paying member pensions	Paying member lump sums	Paying refunds of contributions	Paying transfer values	Receiving transfer values	Collecting member contributions	Issuing Annual Benefit Statements to Active members	Issuing Annual Benefit Statements to Deferred Members	Issuing Pension Saving Statements	Providing reports to HMRC for Event Reports and Account for Tax returns	Address IDRPs requests as the 'Appointed Person'	Attend Local Pension Board Meetings	Attend customer relationship /contract meetings	Total number of functions (out of 15)	Admin costs per member 2017/18 £
No	No	Yes	Yes	Yes	No	Yes	Yes	No	No	No	Yes	No	Yes	Yes	No	No	No	No	No	3	2.78
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	12	5.82
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No	No	10*	9.40
Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	Yes	No	No	No	Yes	Yes	Yes	Yes	No	Yes	Yes	8	10.17
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes	11*	10.95
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No	Yes	11	14.84
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	No	Yes	10	14.96
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	No	Yes	9	15.43
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	12	17.15
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	No	11*	18.37
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes	11*	19.29
No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	11*	19.43
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes	11	19.59
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	No	11	19.62
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	13	19.87
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No	Yes	11	21.66
Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	No	No	No	Yes	Yes	Yes	No	No	No	Yes	5	25.36
No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	11	25.64
Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	No	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	8	26.24
Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	No	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	8	29.92
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes	11*	30.70
Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	10	31.72
No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	11*	32.64
No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	11	33.09
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	No	Yes	10	33.53
No	Yes	Yes	Yes	Yes	No	Yes	No	No	No	No	Yes	No	Yes	Yes	Yes	Yes	No	No	Yes	6*	37.31
No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	11	37.79
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No	No	No	No	Yes	Yes	Yes	Yes	No	Yes	Yes	8*	38.72
Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	No	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	8	39.30
No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	11*	39.71
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes	11*	40.43
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	13	52.14
No	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No	No	No	No	Yes	Yes	Yes	Yes	No	Yes	Yes	7*	52.54
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	No	Yes	Yes	12	58.43
Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	12	61.21

\*indicates where "other" functions are also provided by the administrator

## Appendix 3: Full list of FRAs and their Scheme Administrators

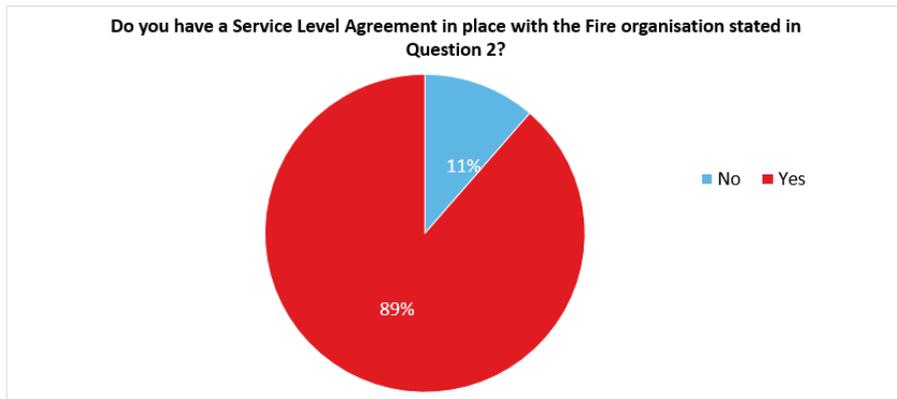
<b>Name</b>	<b>Pensions Administrator</b>
Avon Fire and Rescue Service	Bath and NE Somerset Council
West Sussex Fire and Rescue Service	CAPITA
Cornwall Fire and Rescue Service	Cornwall County Council
Isle of Scilly Fire Brigade	Cornwall County Council
Durham & Darlington Fire & Rescue Service	Durham County Council
Essex County Fire and Rescue Service	Essex County Council
Greater Manchester Fire and Rescue Service	Greater Manchester Fire and Rescue Service
Hampshire Fire and Rescue Service	Hampshire County Council
Isle of Wight Fire Brigade	Isle of Wight Council
Derbyshire Fire and Rescue Service	Leicestershire County Council
Leicestershire Fire and Rescue Service	Leicestershire County Council
Nottinghamshire Fire and Rescue Service	Leicestershire County Council
Cambridgeshire Fire and Rescue Service	LGSS
Northamptonshire Fire and Rescue Service	LGSS
Bedfordshire & Luton Fire and Rescue Service	Local Pensions Partnership
Cumbria Fire and Rescue Service	Local Pensions Partnership
Hertfordshire Fire and Rescue Service	Local Pensions Partnership
Kent Fire Brigade	Local Pensions Partnership
Lancashire Fire and Rescue Service	Local Pensions Partnership
London Fire Brigade	Local Pensions Partnership
Merseyside Fire and Rescue Service	Local Pensions Partnership
Oxfordshire Fire and Rescue Service	Oxfordshire County Council
Gloucestershire Fire and Rescue Service	Pensinsula Pensions
Shropshire Fire and Rescue Service	Shropshire County Council
Suffolk Fire and Rescue Service	Suffolk County Council
East Sussex Fire and Rescue Service	Surrey County Council
Surrey Fire and Rescue Service	Surrey County Council
Warwickshire Fire and Rescue Service	Warwickshire County Council
West Midlands Fire Service	West Midlands Fire Service
Buckinghamshire & Milton Keynes Fire & Rescue Service	West Yorkshire Pension Fund
Devon & Somerset Fire and Rescue Service	West Yorkshire Pension Fund

Dorset & Wiltshire Fire and Rescue Service	West Yorkshire Pension Fund
Hereford & Worcester Fire and Rescue Service	West Yorkshire Pension Fund
Humberside Fire Brigade	West Yorkshire Pension Fund
Lincolnshire Fire and Rescue Service	West Yorkshire Pension Fund
Norfolk Fire and Rescue Service	West Yorkshire Pension Fund
North Yorkshire Fire and Rescue Service	West Yorkshire Pension Fund
Northumberland Fire and Rescue Service	West Yorkshire Pension Fund
Royal Berkshire Fire and Rescue Service	West Yorkshire Pension Fund
South Yorkshire Fire and Rescue Service	West Yorkshire Pension Fund
Staffordshire Fire and Rescue Service	West Yorkshire Pension Fund
Tyne & Wear Fire and Rescue Service	West Yorkshire Pension Fund
West Yorkshire Fire and Rescue Service	West Yorkshire Pension Fund
Cheshire Fire and Rescue Service	XPS
Cleveland Fire Brigade	XPS

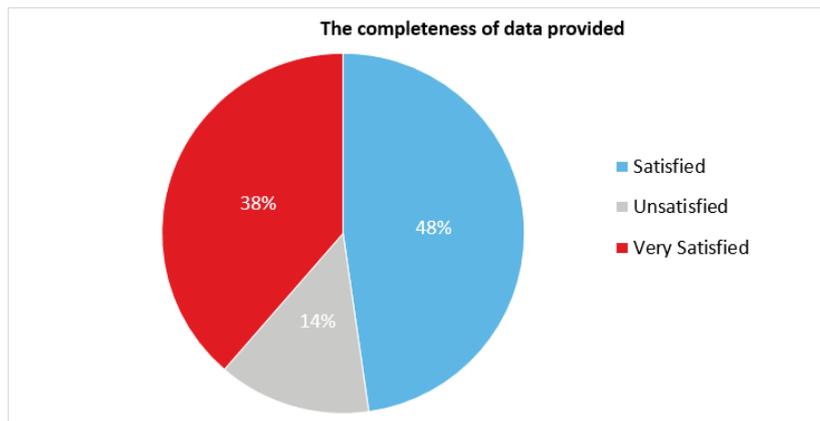
# Appendix 4: Survey responses

## Administration Survey

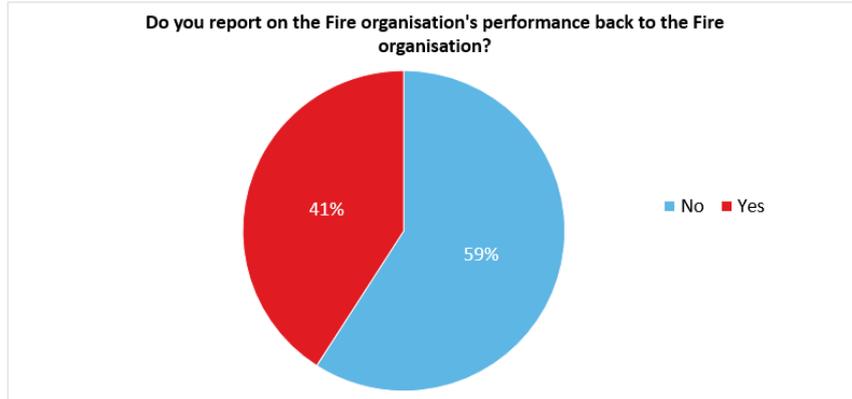
### Administrator Survey - Question 5



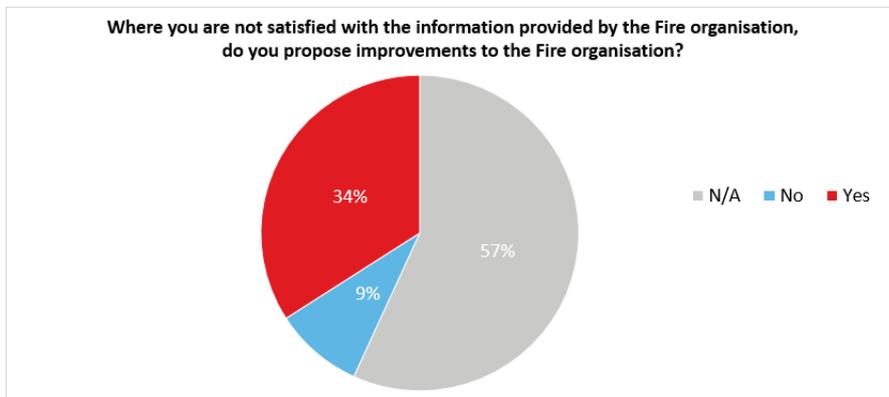
### Administrator Survey - Question 6



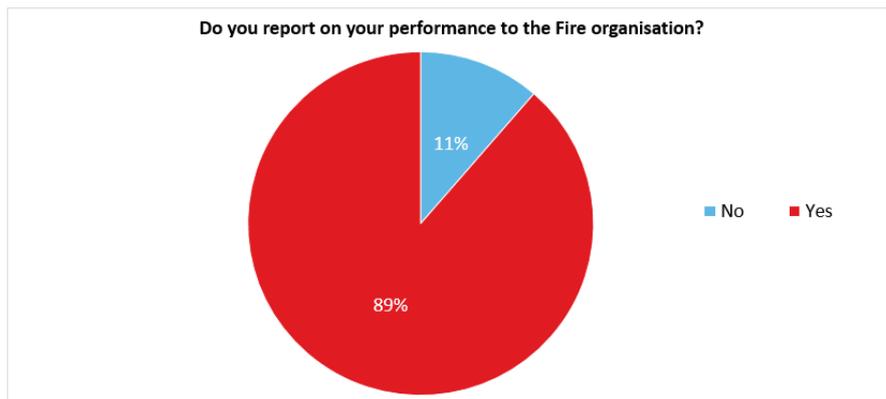
Administrator Survey - Question 7



Administrator Survey - Question 7a

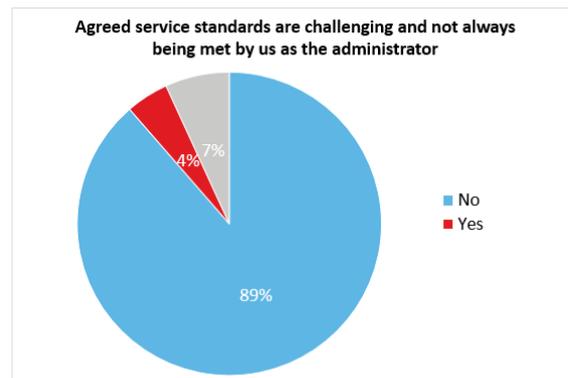
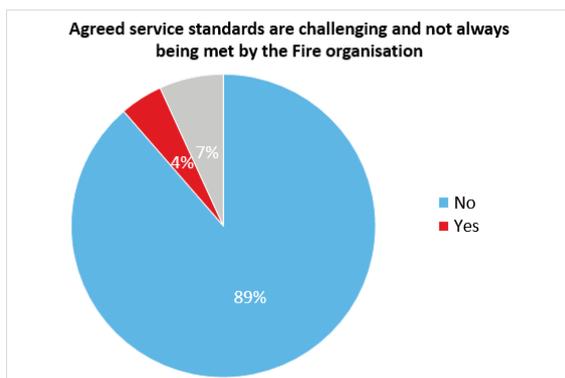
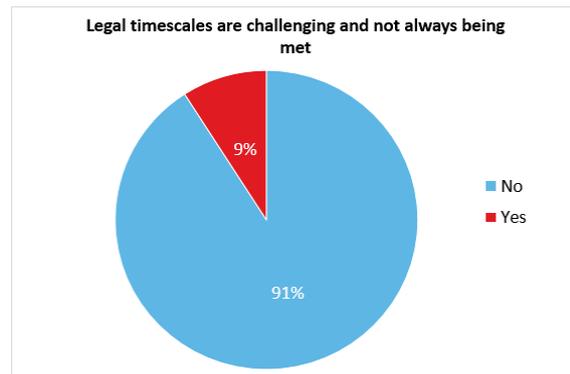
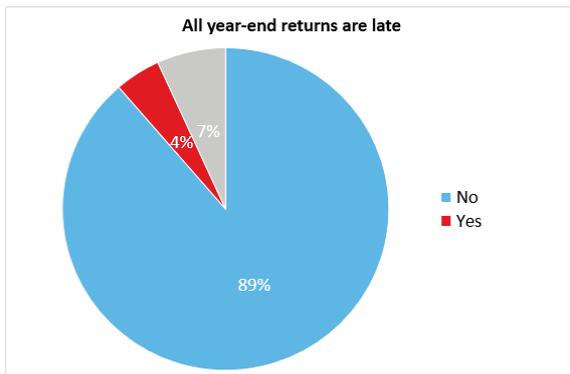
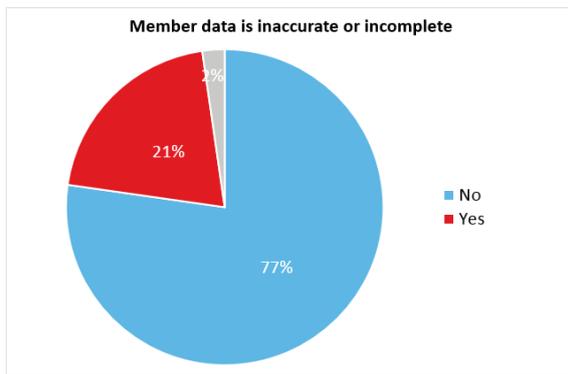
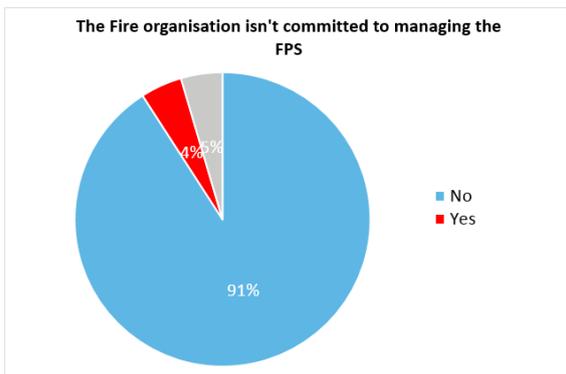
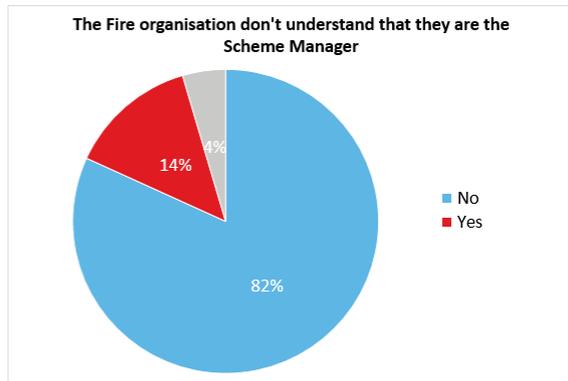
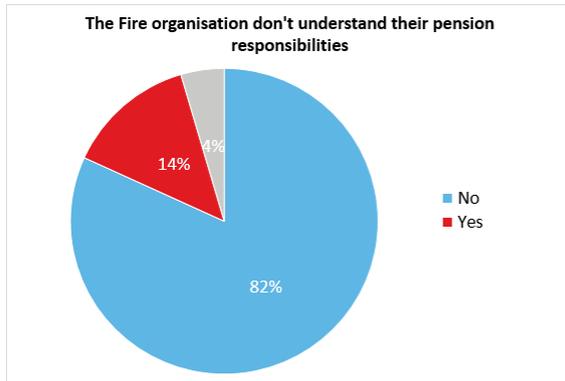


Administrator Survey - Question 8

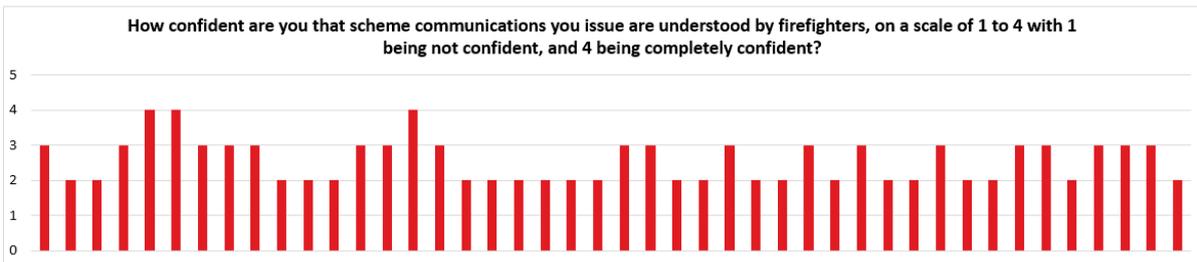
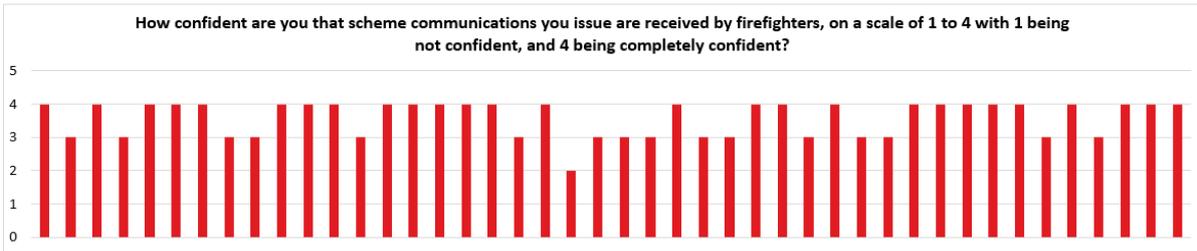


Please indicate whether any of the following potential concerns apply to the Fire organisation?

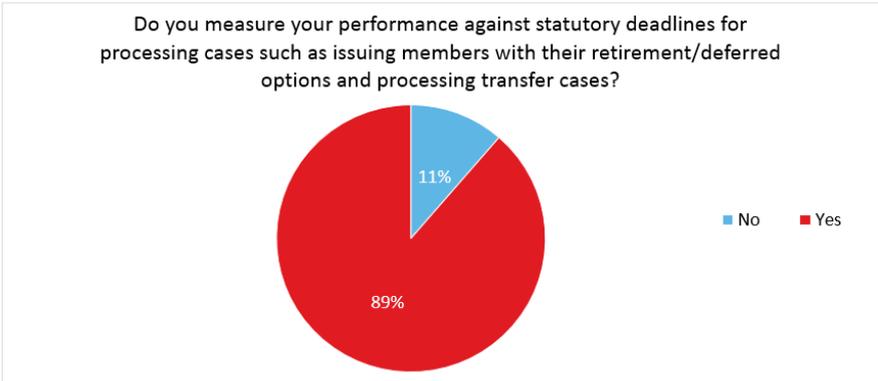
Administrator Survey - Question 9



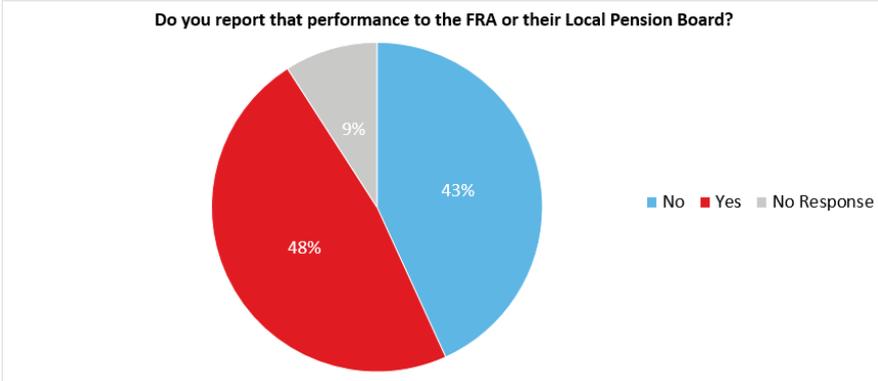
Administrator Survey - Question 10



Administrator Survey - Question 13

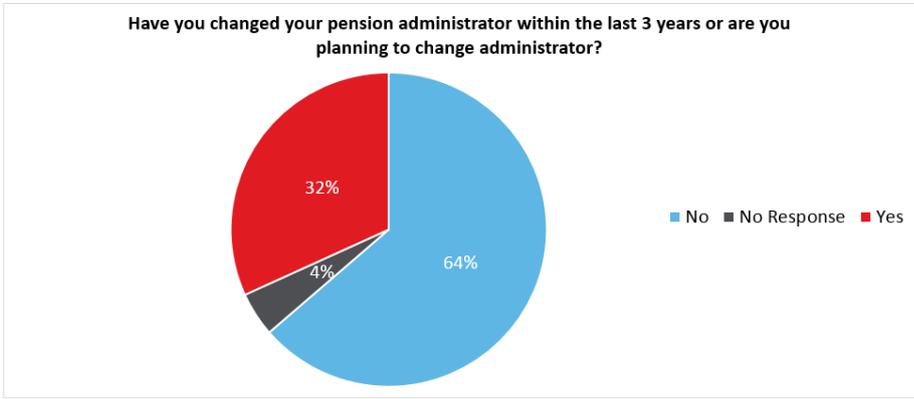


Administrator Survey - Question 13a



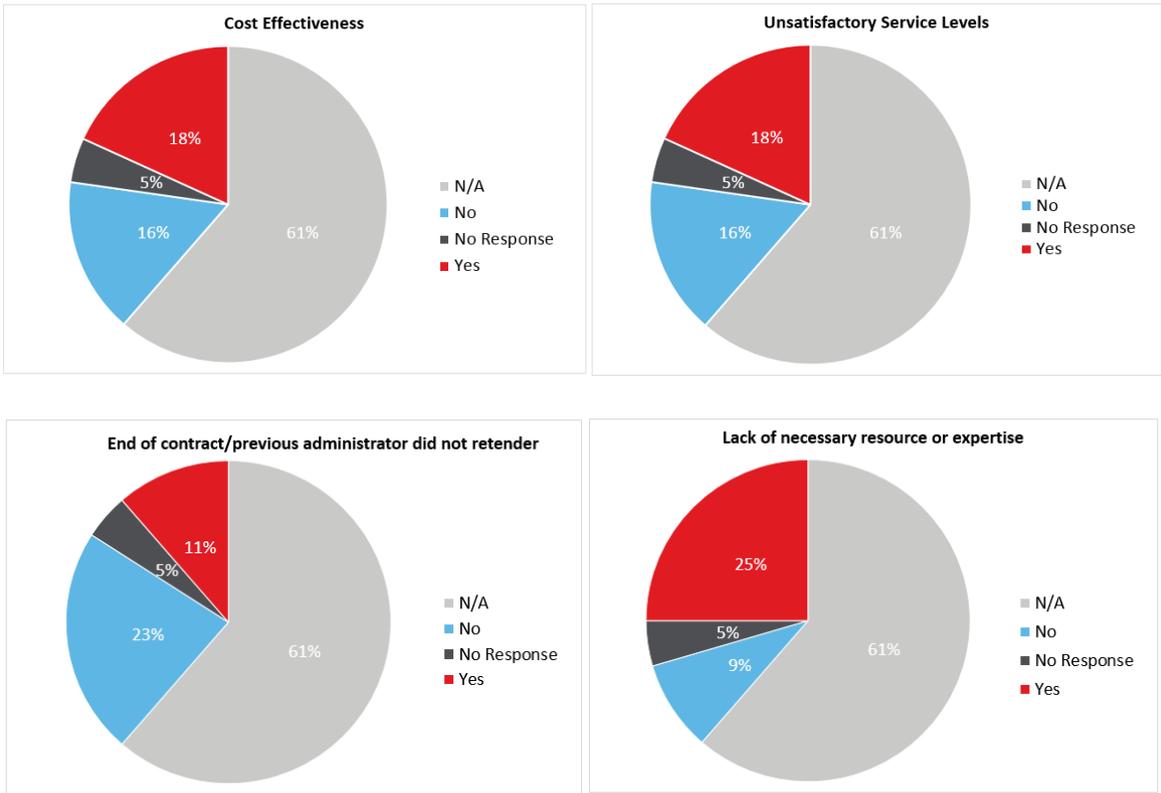
# Employer Survey

## Employer Survey - Question 4

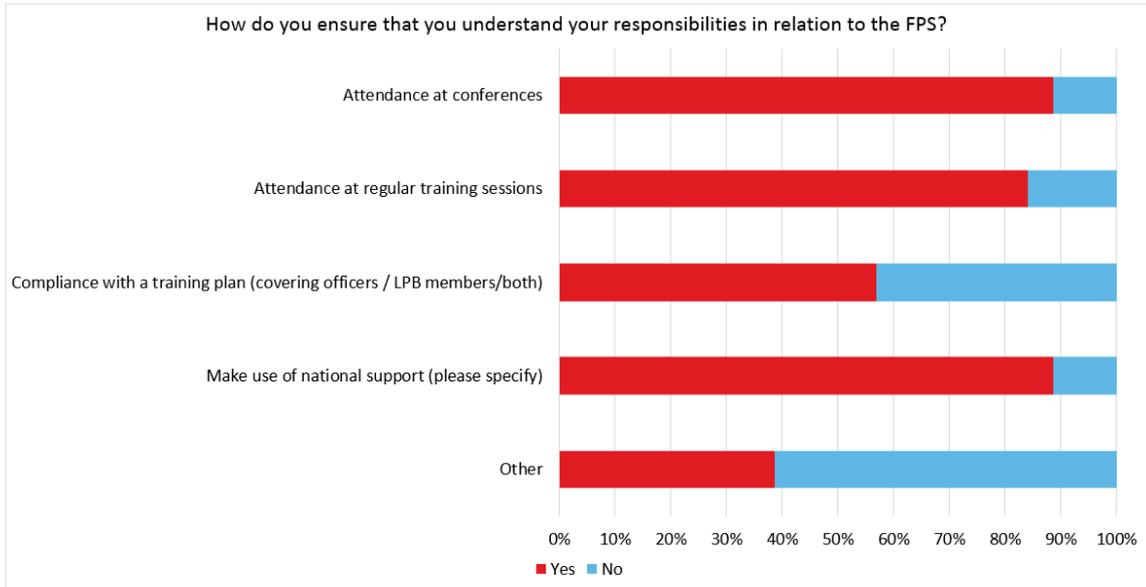


### What were/are the reasons behind the change in administrator? (multiple selections allowed)

#### Employer Survey - Question 4a



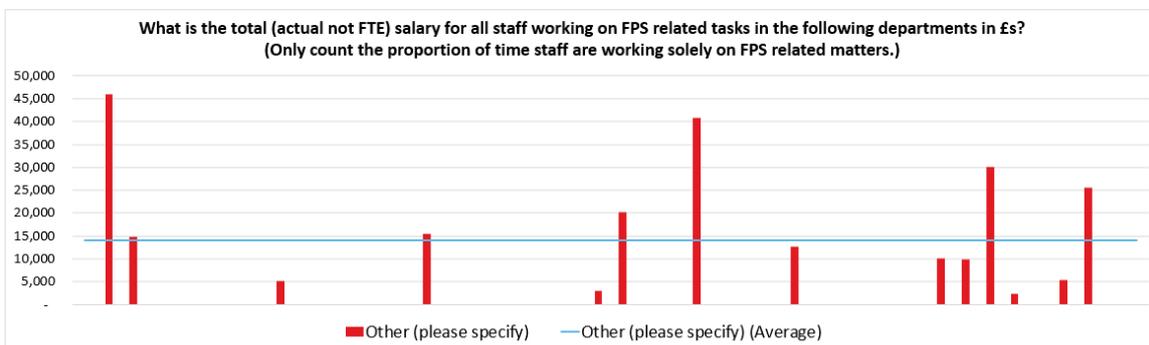
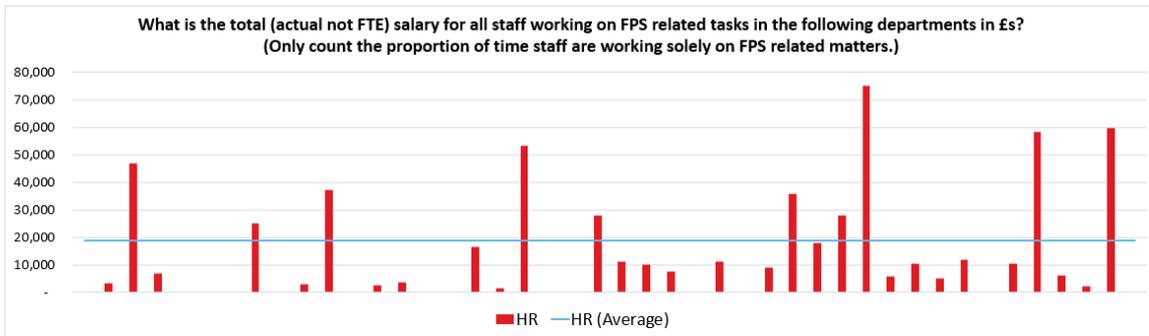
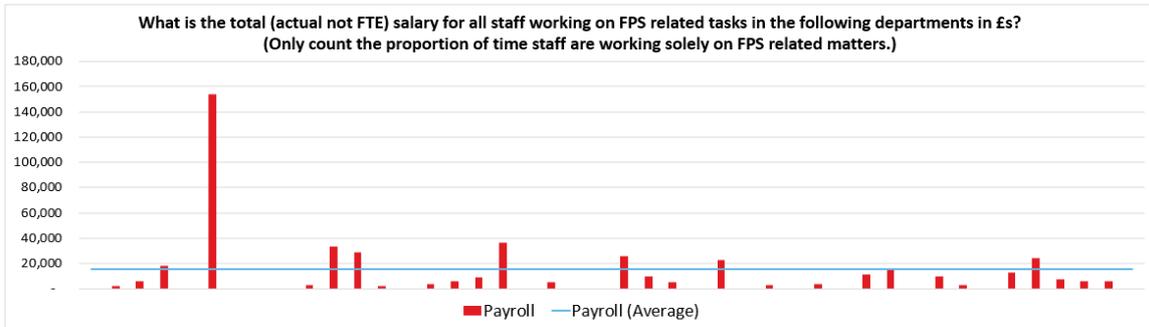
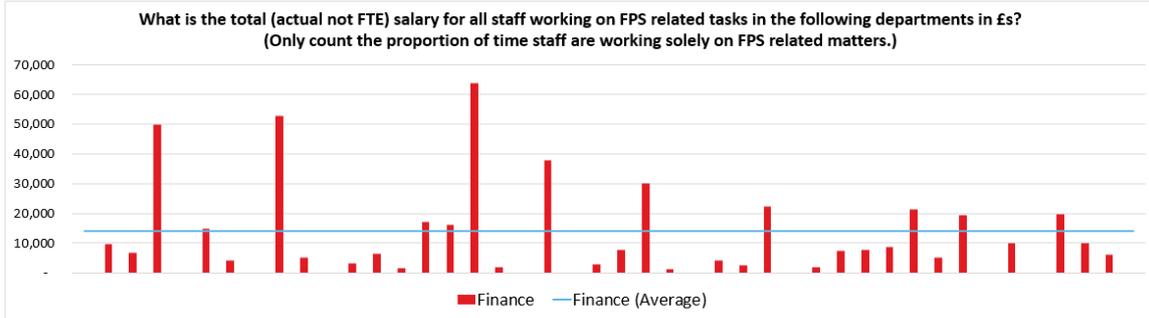
Employer Survey - Question 5a



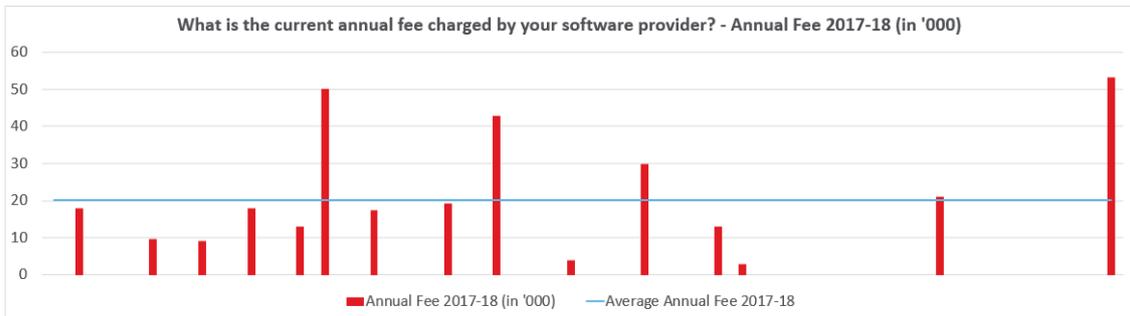
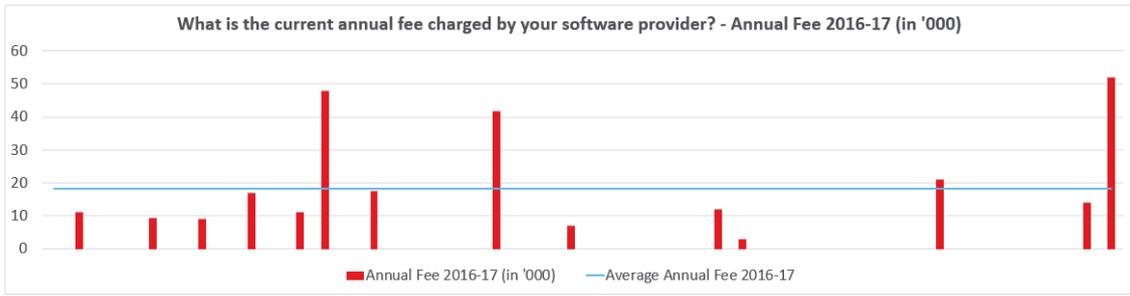
Employer Survey - Question 9a



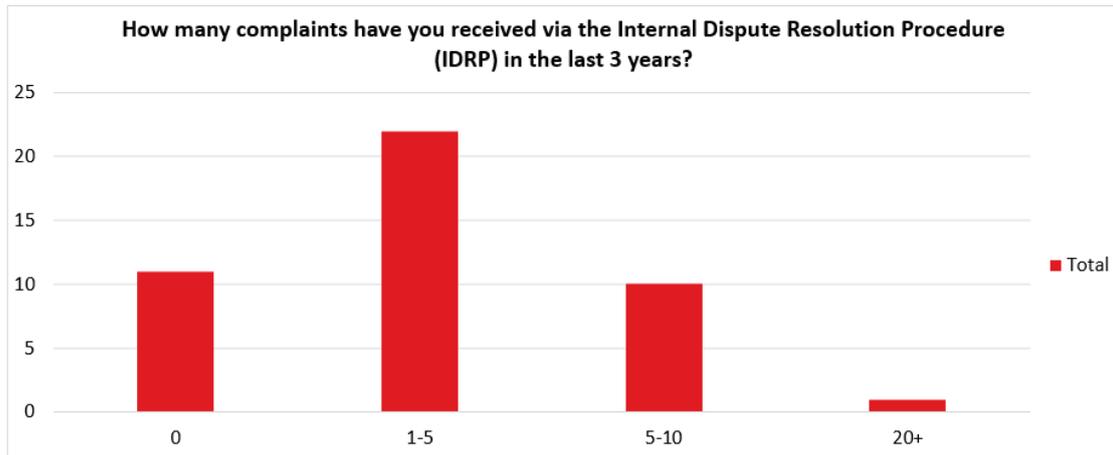




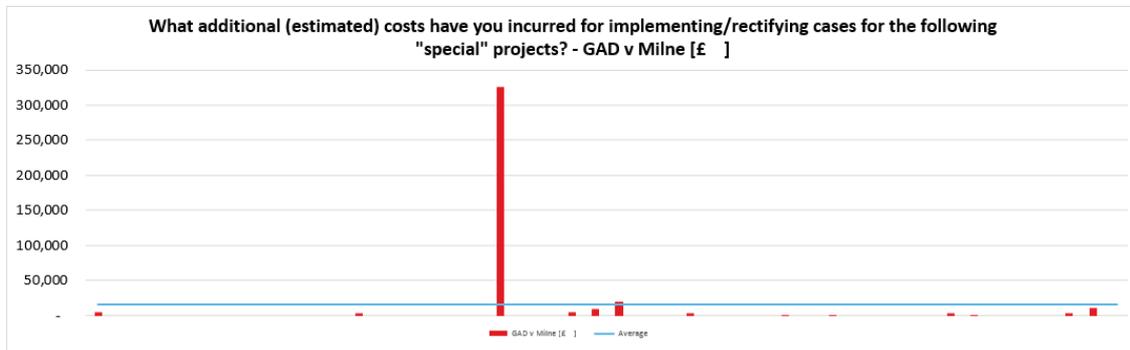
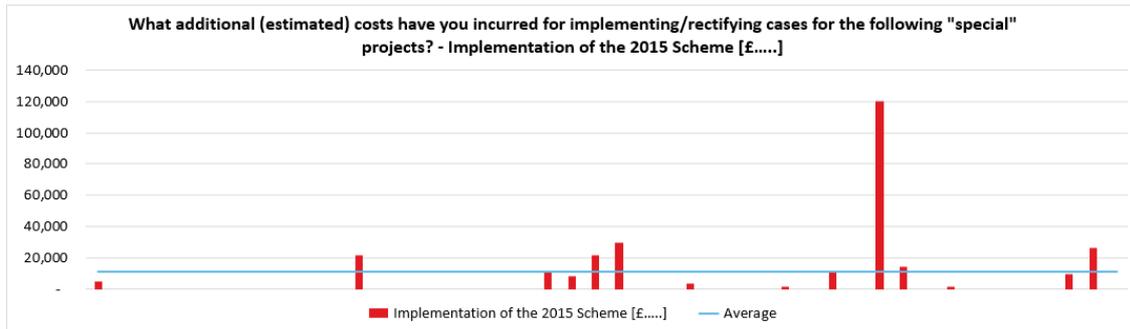


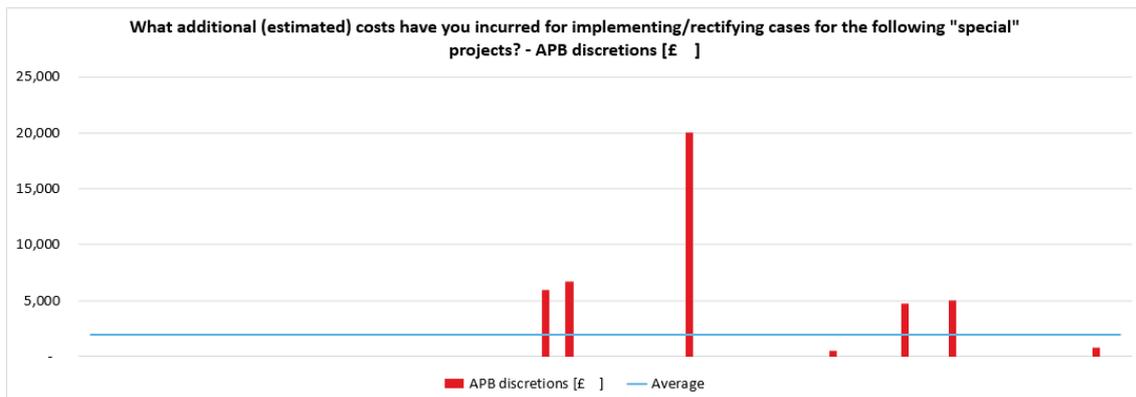
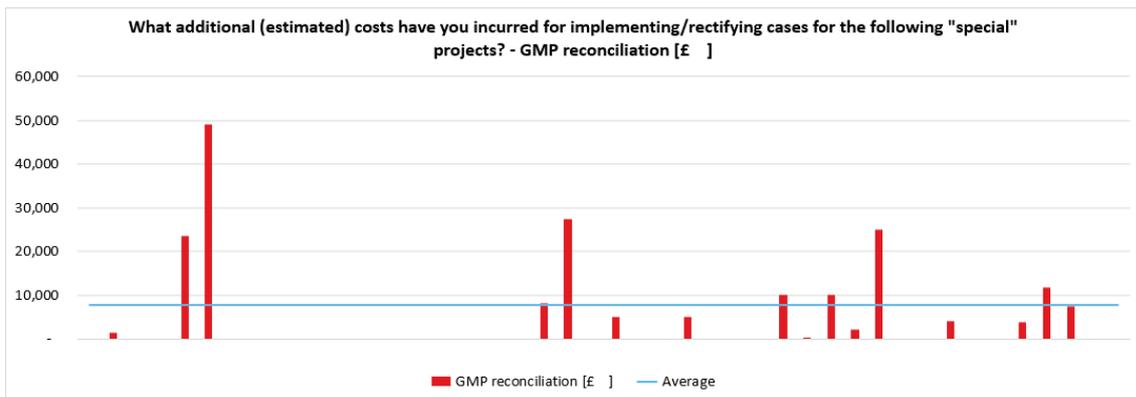
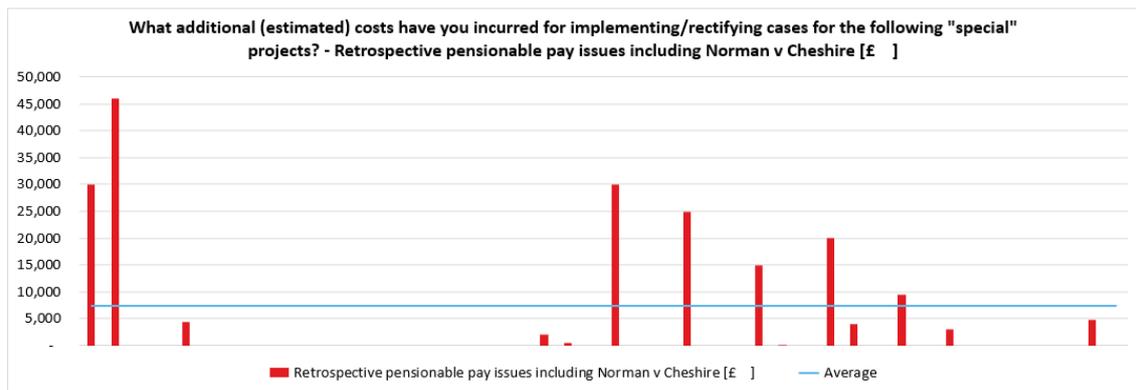
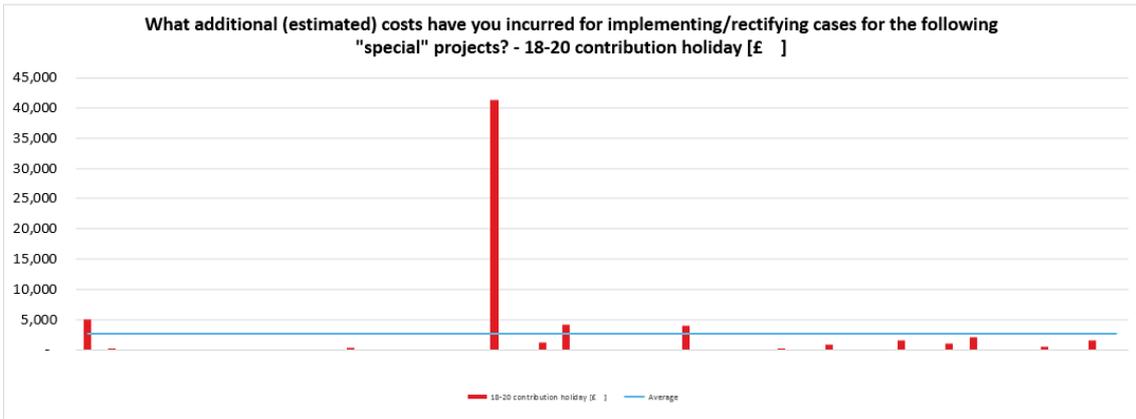


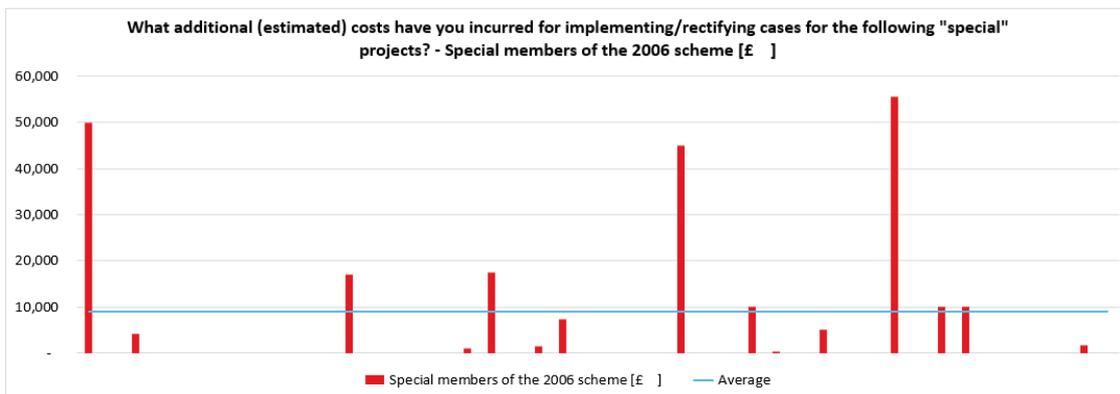
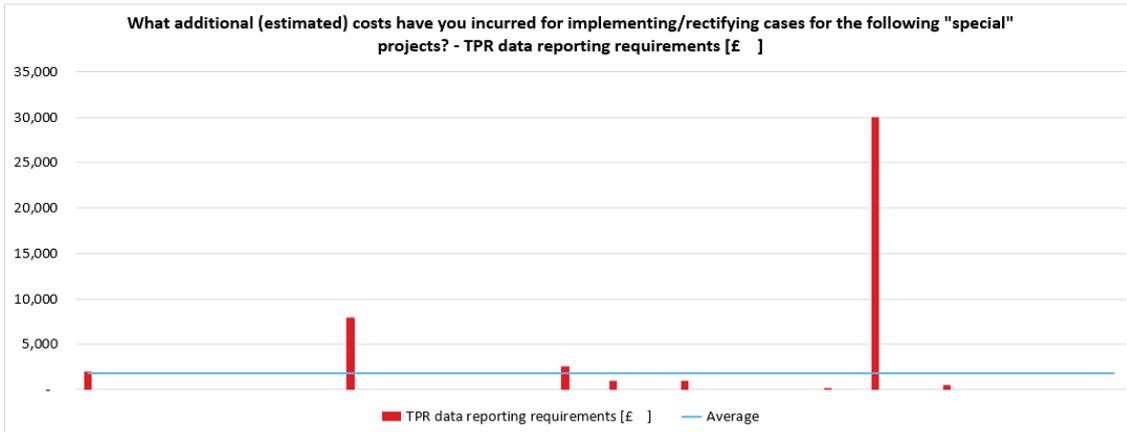
Employer Survey - Question 17

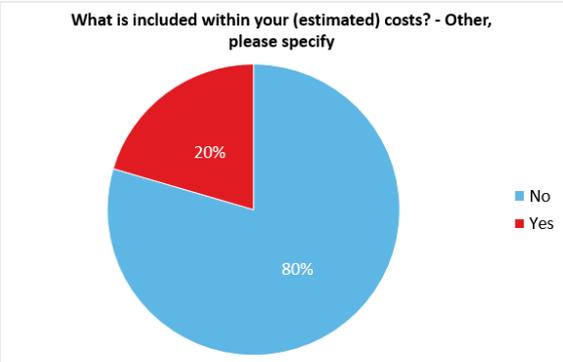
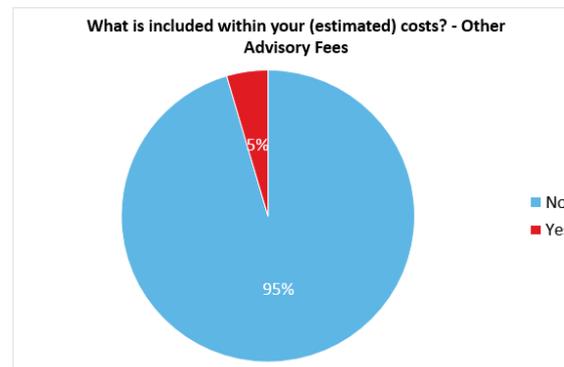
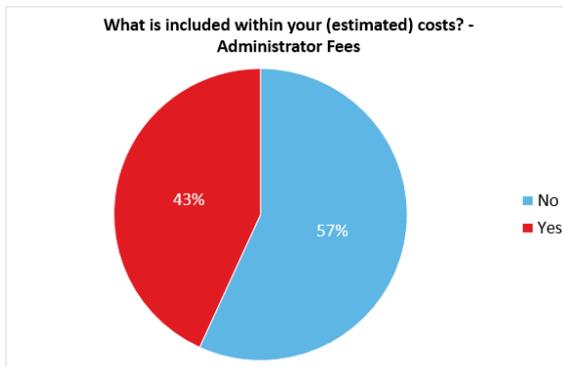
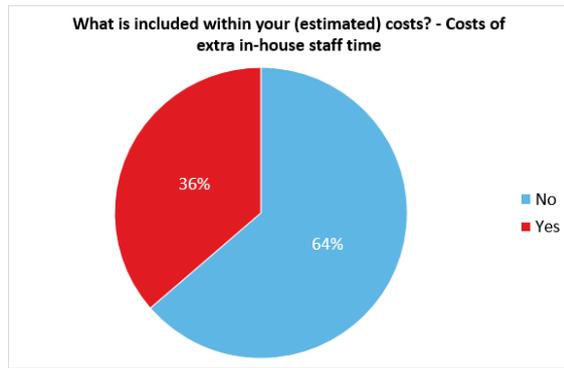
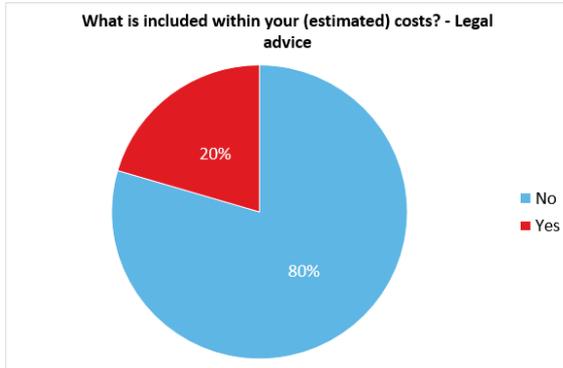


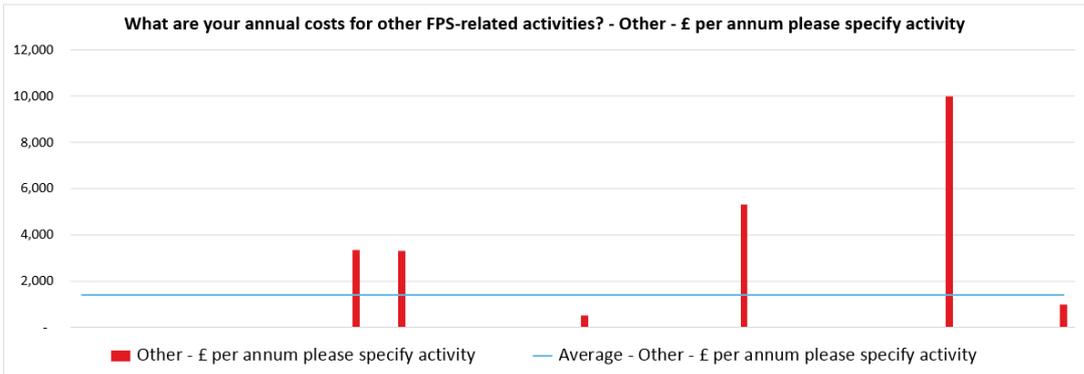
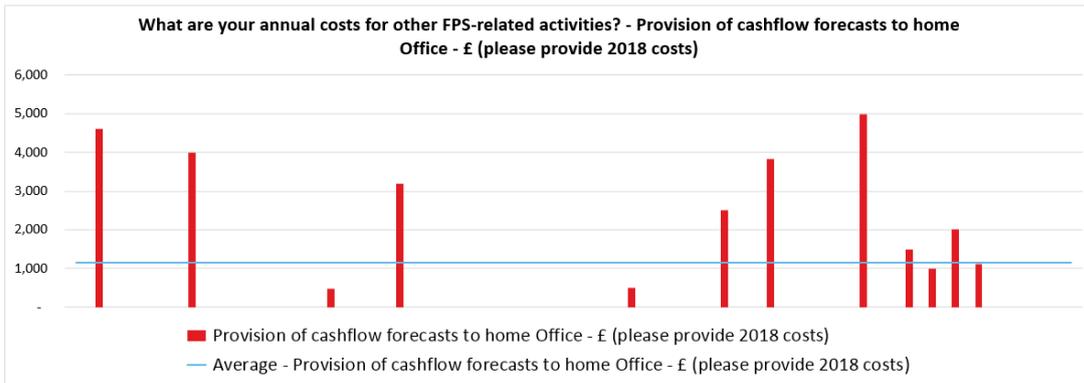
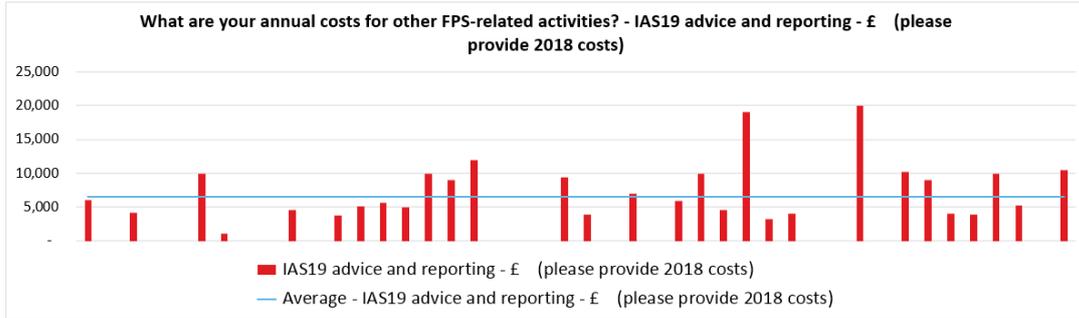
Employer Survey - Question 19



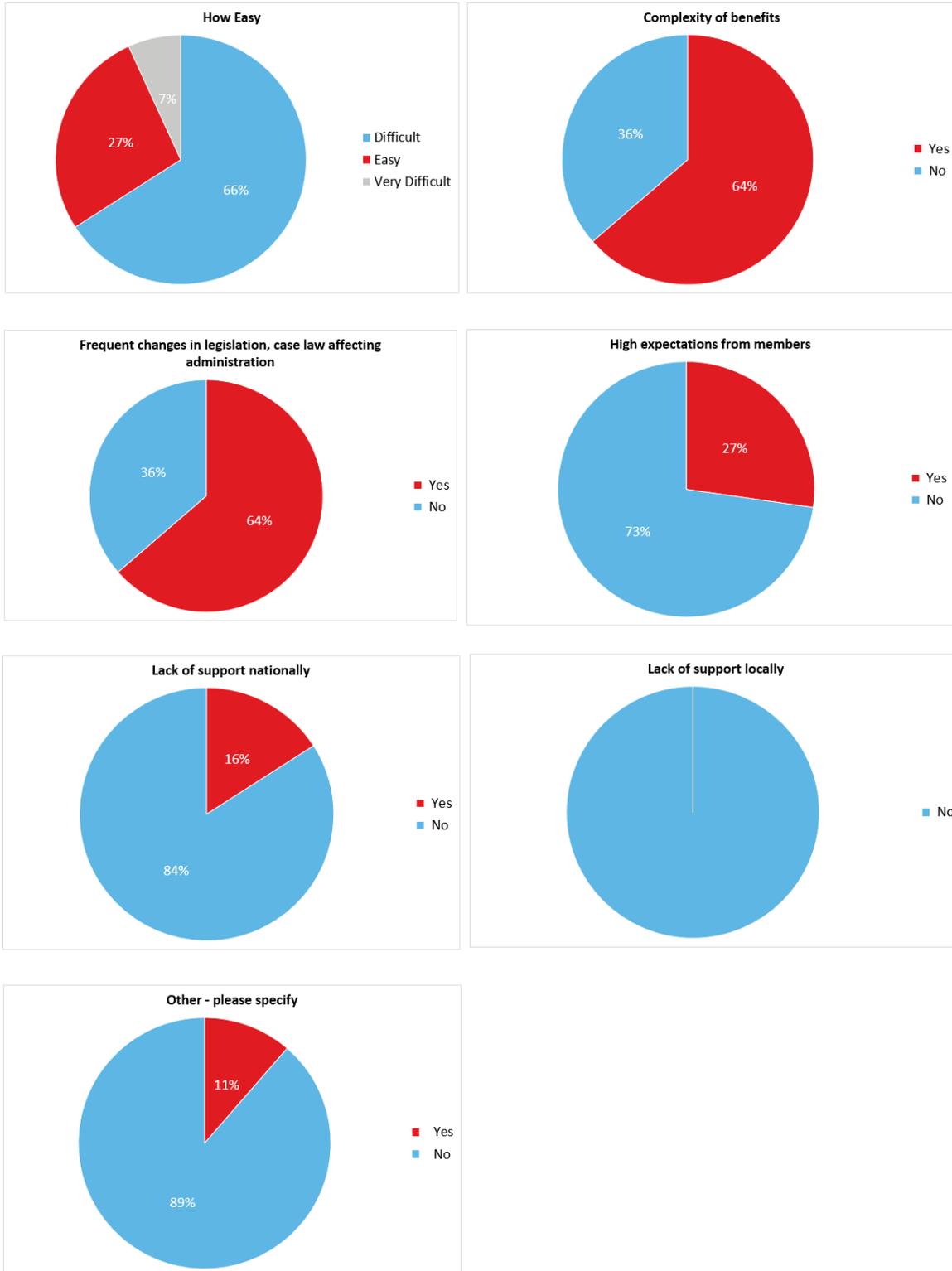








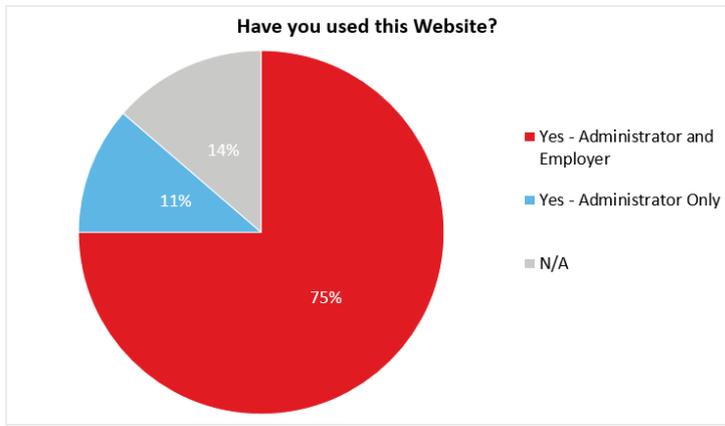
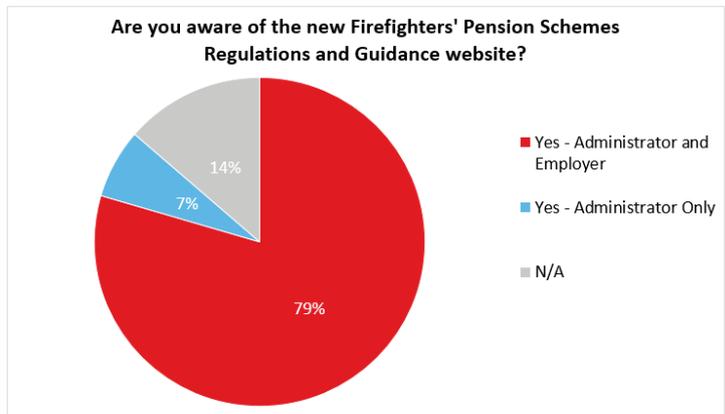
How easy do you find it to make decisions in relation to the FPS where the Regulations permit discretions such as in relation to pensionable pay or ill-health early retirements? If difficult/very difficult, why (please select multiple)



# Combined Administrator and FRA Questions

## Combined Question 1

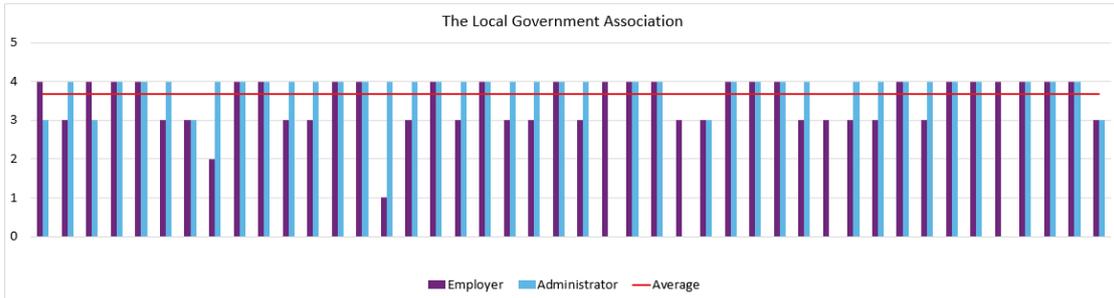
Are you aware of the new Firefighters' Pension Schemes Regulations and Guidance website?



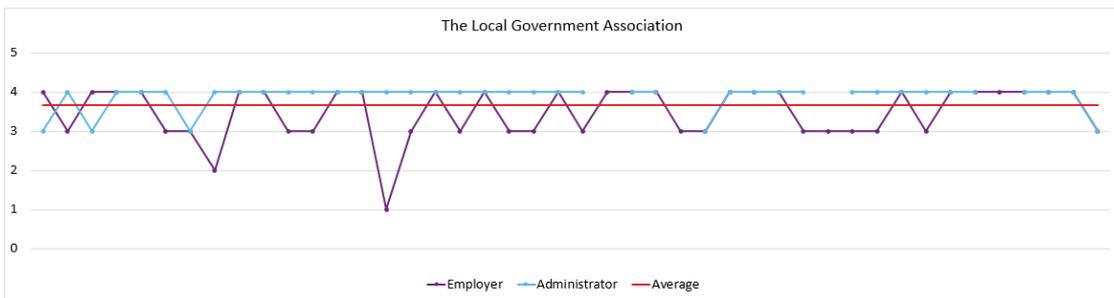
Combined Question 2

On a scale of 1-4 (1 being very poor and 4 being very good), how would you rate the guidance and support from?

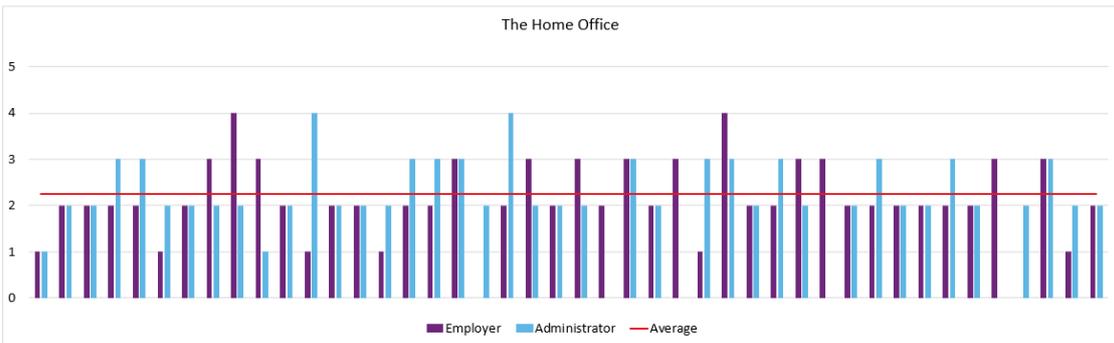
The Local Government Association - Bar Chart



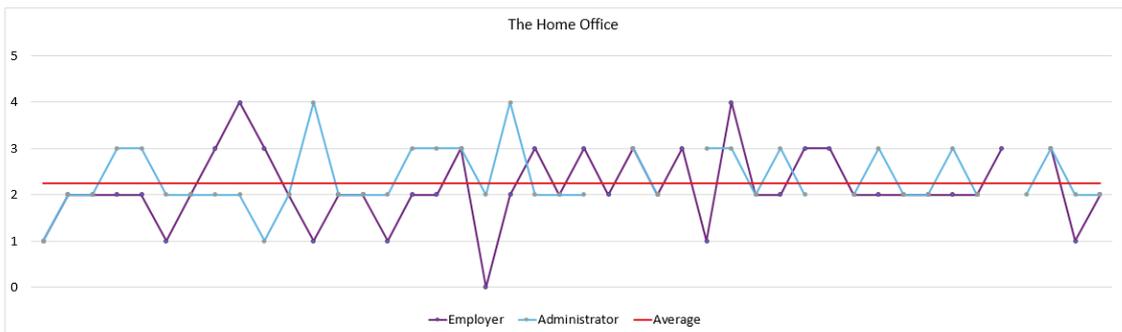
The Local Government Association - Line Chart



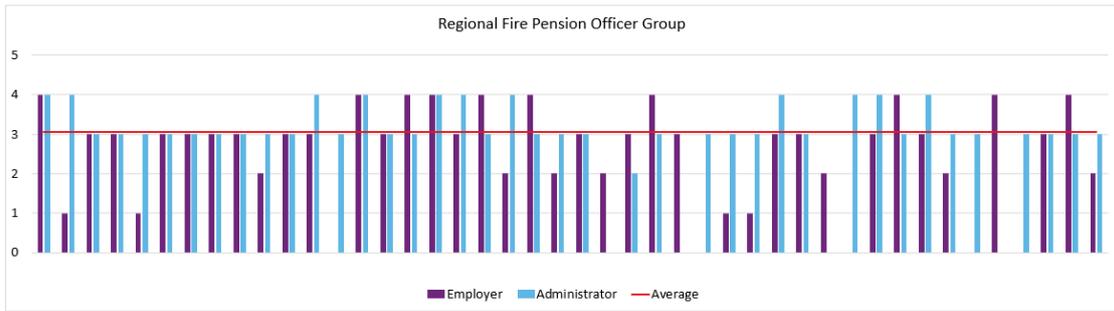
The Home Office - Bar Chart



The Home Office - Line Chart



Regional Fire Pension Officer Group - Bar Chart



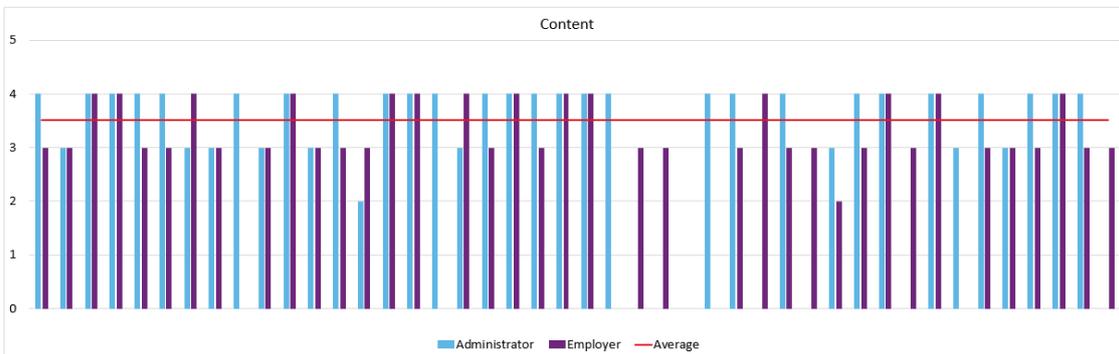
Regional Fire Pension Officer Group - Line Chart



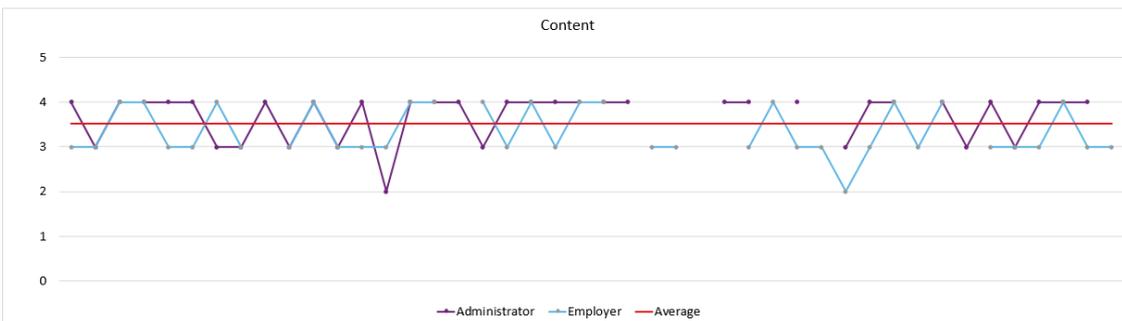
Combined Question 3

On a scale of 1-4 (1 being very poor and 4 being very good), please rate the content offered on the website?

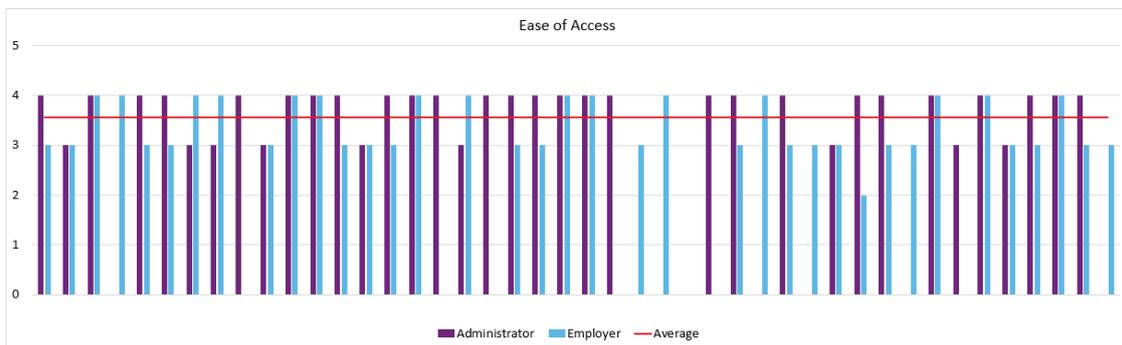
Content - Bar Chart



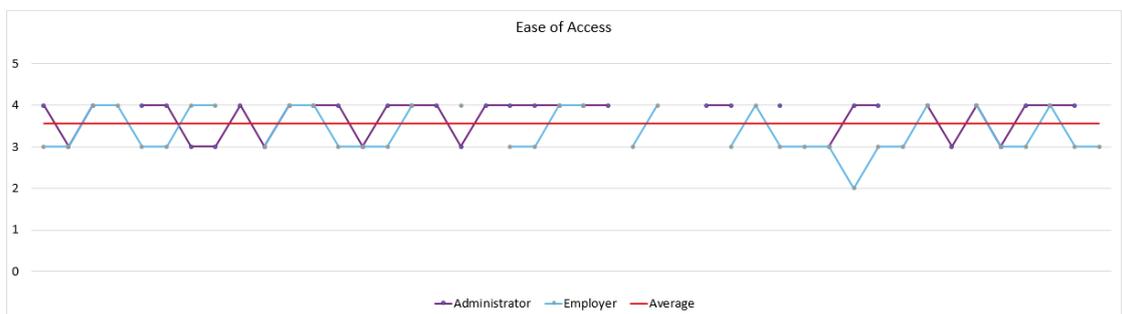
Content - Line Chart



Ease of Access - Bar Chart



Ease of Access - Line Chart

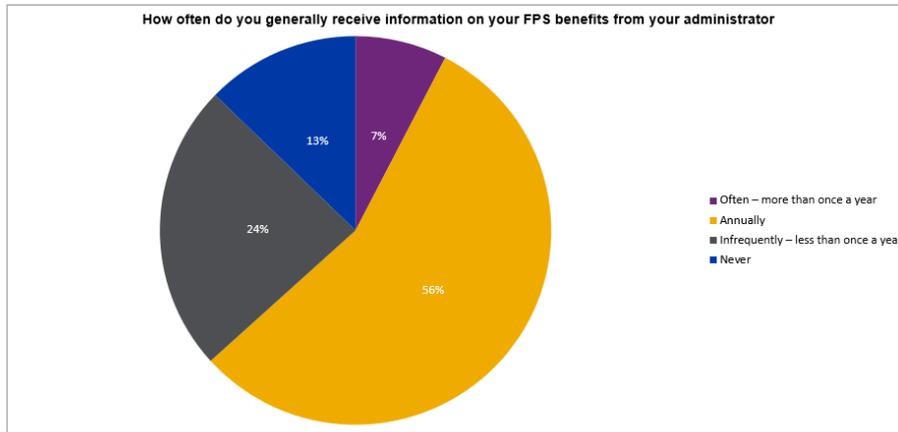


# Member Survey

## Member Survey - Question 8

Firefighters' Pension Scheme Member Survey  
**How often do you generally receive information on your FPS benefits from your administrator**

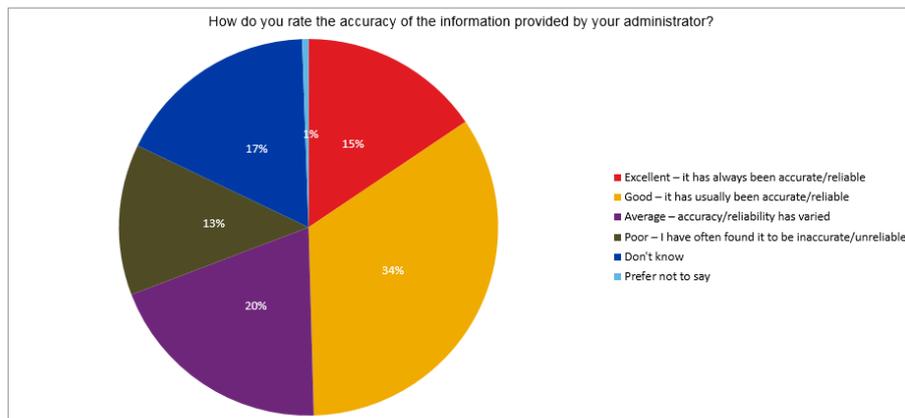
Answer Choices	Responses	
Often - more than once a year	7.50%	276
Annually	55.70%	2028
Infrequently - less than once a year	23.38%	873
Never	12.74%	464
	<b>Answered</b>	<b>3641</b>
	<b>Skipped</b>	<b>317</b>



## Member Survey - Question 9

Firefighters' Pension Scheme Member Survey  
**How do you rate the accuracy of the information provided by your administrator?**

Answer Choices	Responses	
Excellent - it has always been accurate/reliable	15.53%	460
Good - it has usually been accurate/reliable	34.03%	1008
Average - accuracy/reliability has varied	19.52%	561
Poor - I have often found it to be inaccurate/unreliable	12.86%	384
Don't know	17.32%	513
Prefer not to say	0.54%	16
	<b>Answered</b>	<b>2962</b>
	<b>Skipped</b>	<b>896</b>

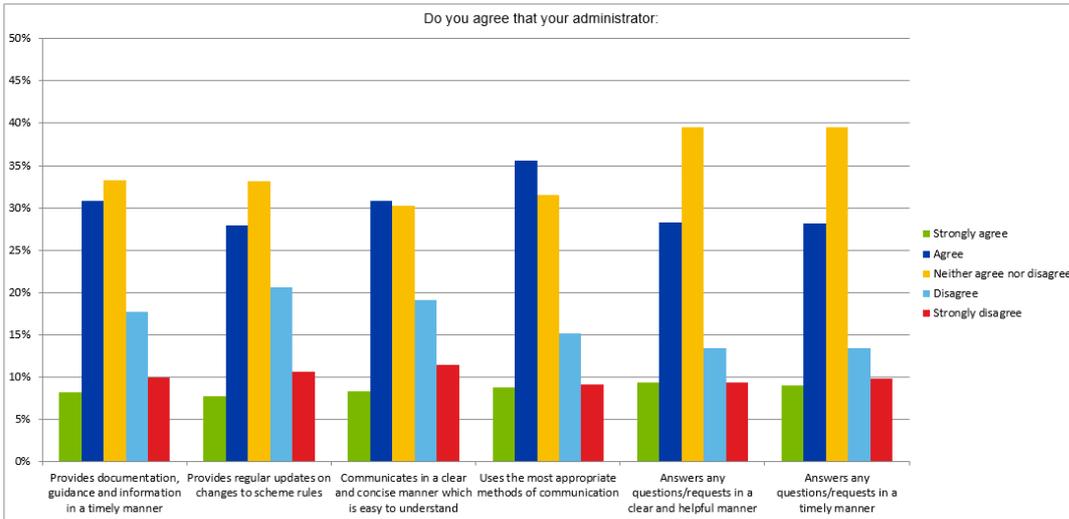


Member Survey - Question 10

Firefighters' Pension Scheme Member Survey

Do you agree that your administrator:

	Strongly agree	Agree	Neither agree nor Disagree		Strongly disagree	Total
Provides documentation, guidance and information in a timely manner	8.21%	284 30.80%	1068 33.28%	1151 17.63%	612 9.35%	344 3459
Provides regular updates on changes to scheme rules	7.72%	267 27.80%	965 33.12%	1146 20.50%	712 10.67%	363 3459
Communicates in a clear and concise manner which is easy to understand	8.33%	269 30.82%	1066 30.00%	1048 13.15%	661 11.45%	336 3459
Uses the most appropriate methods of communication	8.76%	303 35.53%	1229 31.51%	1030 15.12%	523 9.08%	314 3459
Answers any questions/requests in a clear and helpful manner	9.34%	323 28.22%	976 33.58%	1369 13.44%	465 8.42%	326 3459
Answers any questions/requests in a timely manner	9.02%	312 28.10%	974 33.52%	1367 13.44%	465 8.65%	341 3459
Please also provide any comments:						527
						<b>Answered 3459</b>
						<b>Skipped 499</b>



## Appendix 5: Benefit Structures within the Scheme

The Firefighters Scheme introduced in April 2015 is a CARE scheme with all members (other than protected members of the 1992 and 2006 schemes) joining that scheme.

The tables below set out each of the schemes including:

2015 Scheme

2006 Scheme (Standard Members)

2006 Scheme (Special Members)

1992 Scheme

<b>2015 Scheme – CARE</b>	
Accrual rate	Pensionable pay for each year / 1/59.7ths Increased every year by average weekly earnings
Lump sum	Give up 25% of pension to provide a lump sum
Benefit/Membership Cap	None
Retirement Age	Age 60
Deferred Pension Age	Equal to State Pension Age (min. age 65)
Earliest Retirement	Age 55 (subject to reductions)
Employee contribution rate	Dependent on pay 11% to 14%
Employer contribution rate	28.8% from April 2019

<b>2006 Scheme Standard Members – Final Salary</b>	
Accrual rate	Final Pensionable pay (best of last 3 years) x membership / 60ths
Lump sum	Give up 25% of pension to provide a lump sum
Benefit/Membership Cap	45 years
Deferred Pension Age	Age 65
Retirement Age	Age 60
Earliest Retirement	Age 55 (subject to reductions)
Employee contribution rate	Dependent on pay 8.5% to 12.5%
Employer contribution rate	27.4% from April 2019

<b>2006 Scheme Special Members – Final Salary</b>	
Accrual rate	Final Pensionable pay (best of last 3 years) x membership / 45ths
Lump sum	Give up 25% of pension to provide a lump sum
Benefit/Membership Cap	30 years
Retirement Age	Age 55
Deferred Pension Age	Age 60
Earliest Retirement	Age 55
Employee contribution rate	Dependent on pay 11% to 17%
Employer contribution rate	37.3% from April 2019

<b>1992 Scheme – Final Salary</b>	
Accrual rate	Final Pensionable pay (best of last 3 years) x membership / accrual Max 40/60ths – 1/60th (2/60ths after 20 years)
Lump sum	Give up 25% of pension to provide a lump sum
Benefit/Membership Cap	30 years
Retirement Age	Age 55
Deferred Pension Age	Age 60
Earliest Retirement	Age 50 with 25+ years' service
Employee contribution rate	Dependent on pay 11% to 17%
Employer contribution rate	37.3% from April 2019

The complexity of the arrangements in the scheme result in 10 different types of member accruing benefits, as noted in table X below:

**Table X: 10 different types of member**

	Protected	Tapered	Unprotected	Transitional
1992 Scheme	Y	Y	X	Y
2006 Scheme (Standard member)	Y	Y	X	Y
2006 Scheme (Special member)	Y	Y	X	Y
2015 Scheme	X	X	Y	X

## Appendix 6: FRAs with GAD data at 31 March 2016

Fire and Rescue Authorities	Total membership numbers provided by GAD
Avon Fire and Rescue Service	1671
Bedfordshire & Luton Fire and Rescue Service	925
Buckinghamshire & Milton Keynes Fire & Rescue Service	1089
Cambridgeshire Fire and Rescue Service	1124
Cheshire Fire and Rescue Service	1580
Cleveland Fire Service	1219
North Yorkshire Fire and Rescue Service	1346
Cornwall Fire and Rescue Service	1082
Durham & Darlington Fire & Rescue Service	1170
Cumbria Fire and Rescue Service	1132
Derbyshire Fire and Rescue Service	1504
Devon & Somerset Fire and Rescue Service	3421
Dorset & Wiltshire	1814
East Sussex Fire and Rescue Service	1287
Essex County Fire and Rescue Service	2637
Gloucestershire Fire and Rescue Service	965
Greater Manchester Fire and Rescue Service	4101
Hampshire Fire and Rescue Service	2833
Hereford & Worcester Fire and Rescue Service	1274
Hertfordshire Fire and Rescue Service	1409
Humberside Fire Brigade	1900
Isle of Wight Fire Brigade *	466
Kent Fire Brigade	2258
Lancashire Fire and Rescue Service	2555
Leicestershire Fire and Rescue Service	1419
London Fire Brigade	14101
Merseyside Fire and Rescue	2837
Norfolk Fire and Rescue Service	1276
Northamptonshire Fire and Rescue Service	863
Northumberland Fire and Rescue Service	760
Nottinghamshire Fire and Rescue Service	1824
Oxfordshire Fire and Rescue Service	1106
Royal Berkshire Fire and Rescue Service	1035
Shropshire Fire and Rescue Service	916
South Yorkshire Fire and Rescue Service	1957
Staffordshire Fire and Rescue Service	1797
Suffolk Fire and Rescue Service	1112
Surrey Fire and Rescue Service	1614
Tyne & Wear Fire and Rescue Service	1975
Warwickshire Fire and Rescue Service	829
West Sussex Fire and Rescue Service	1173
West Midlands Fire Service	4251
Lincolnshire Fire and Rescue Service	1256
West Yorkshire Fire and Rescue Service	3639

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## About Aon

[Aon plc](#) (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Purpose: Noted

Date **9 OCTOBER 2019**

Title **FIRE PENSION BOARD STATUS REPORT**

Report of Chief Finance 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 2019/20 was submitted to HMRC on 26 July 2019 and paid on 6 August 2019. The table below shows the breakdown of the payments made.

Type of payment	Number of members	Tax year relates to	Amount paid
AFT - Lifetime Allowance	1	2019/20	£75,035
Total paid to HMRC			<b>£75,035</b>

4. The Board will be pleased to hear that 100% of Annual Benefit Statements were produced for all active and deferred members by the statutory deadline of 31 August 2019. Statements are available to view and download via the new Member Portal.
5. This represents 1,225 statements for active members and 918 for deferred members across all Fire schemes.

## COMMUNICATION

6. The Employer Pension Manager delivered a pension presentation at the pre-retirement course on 8 July 2019.

## MEETINGS

7. The Employer Pension Manager and the Finance Transformation Manager attended the Pensionable Pay workshop which was put on by the LGA on 18 July 2019. This included presentations from
  - (a) Jane Marshall, the legal adviser to SAB, covered in detail the appeal decision in the case of Booth v Mid & West Wales FRA which came out in March 2019
  - (b) She also gave another presentation which gave a round up of case law from Kent & Medway Towns in 2001 up to the current time
  - (c) Steven Pope from Devon & Somerset FRA gave a presentation about how they have made decisions with regard to pensionable pay
  - (d) James Durrant from Essex FRA gave a presentation about tax consequences with retrospective action
8. The Employer Pension Manager, the Finance Transformation Manager and Board member Dan Tasker attended the Annual Fire Pension Conference which was put on by LGA on 24 and 25 September 2019.
9. The slides from the event are available [here](#). The conference included presentations from

#### DAY ONE

- (a) Gavin Chambers from Bedfordshire FRA about how their Local Pension Board assists the Scheme Manager
- (b) Clair Alcock led a discussion session on assisting the Scheme Manager
- (c) Nick Gannon provided an update from The Pension Regulator

#### DAY TWO

- (d) Amar Pannu, the new Head of Police and Firefighters Pensions from the Home Office gave a view from Government
- (e) Craig Payne, Benefits Consultant from AON provided an updated on the Administration and Benchmarking review
- (f) Clair Alcock gave a summary of where we are with the review and the next steps
- (g) There were three workshops that delegates could choose to go to:
  - The Finance Transformation Manager attended the workshop on National Performance Monitoring
  - The Employer Pension Manager attended the session on Abatement
  - Board member Dan Tasker attended the workshop on Transitional Pension Calculations refresher
- (h) Alec Bennet, Principal Associate from Eversheds Sutherland provided an update on relevant case law
- (i) Clair Alcock gave a presentation about what her and her team do

10. Overall it was a very good conference and provided much opportunity for networking and catching up with colleagues from other FRAs.

### MEMBER PORTAL

11. Member Portal for Fire Pension Schemes went live on 1 April 2019. This was publicised at the beginning of May 2019 and in August when the Annual Benefit Statements were published.
12. Numbers of those registered are shown in the table below:

Pension online registration numbers as at 23/09/2019							
Number of actives per age range							
HFRS - FF	under 30	30-40	40-50	50-55	55-65	65+	Total
Registered	6	35	83	45	21	1	191
Not registered	153	307	343	120	65	0	988
<b>Total</b>	<b>159</b>	<b>342</b>	<b>426</b>	<b>165</b>	<b>86</b>	<b>1</b>	<b>1,179</b>
Percentage of actives per age range							
HFRS - FF	under 30	30-40	40-50	50-55	55-65	65+	
Registered	4%	10%	19%	27%	24%	100%	
Not registered	96%	90%	81%	73%	76%	0%	
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
Percentage of all actives per age range							
HFRS - FF	under 30	30-40	40-50	50-55	55-65	65+	Total
Registered	1%	3%	7%	4%	2%	0%	16%
Not registered	13%	26%	29%	10%	6%	0%	84%
<b>Total</b>	<b>14%</b>	<b>29%</b>	<b>36%</b>	<b>14%</b>	<b>8%</b>	<b>0%</b>	<b>100%</b>

13. Although the communications that we have issued in Routine Notice have helped to increase the number of registrations from 71 (6%) to 191 (16%), the sign up is still really low for active members. This means that if they are not registered on the Member Portal, then they will not have seen their 2019 Annual Benefit Statement.
14. The Chief Fire Officer, who recently registered for the Member Portal and logged in for the first time, commented that it is excellent.

15. The Board are asked to approve the recommendation to send out a cascade message to all managers.

#### PENSION BOARD MEMBERSHIP

16. The vacancy for the Employee Board member was re-advertised and there was one candidate that applied. As the applicant fulfilled the criteria, this meant that no further interviews were required and the appointment was recommended to the Fire Authority.
17. The appointment of Richard Scarth was ratified by the full Fire Authority on 25 September 2019.

#### PENSION BOARD TRAINING

18. The Pension Board may recall that the last Learning Needs Analysis forms were completed in January 2018. Board members are required to have a good working knowledge of the Fire Pension Schemes and as we now have two new members it makes sense to review the training needs of the Board.
19. Board members will be sent a form for them to complete, the results of this will be brought to the Board meeting in January 2020 along with a plan for training, if necessary.
20. The Board may also wish to consider inviting Clair Alcock to the Board meeting and utilising the free session of training / review that each Local Pension Board is entitled to have from the LGA. The Board are asked to consider this.

#### INJURY PENSION AWARD REVIEWS

21. The Board will recall that the HR department were putting in place a process to review the award of the degree of disablement in respect of injury pensions.
22. The Board will be pleased to note that letters were sent at the end of August 2019 to the two pensioner members that are due a review. They have six weeks to respond to the letter, either confirming that there has been no significant change, or that there has been significant change and a review is required.
23. HR have now managed to secure the resources of an Independent Qualified Medical Practitioner (IQMP) for any reviews that need to be undertaken; unfortunately, the IQMP is based in Stroud and this will require members to travel there for their review, if one is required.

## COMBINED FIRE AUTHORITY

24. The Board will be aware that the Combined Fire Authority (CFA) has been deferred for a year, although final confirmation is still awaited from the Secretary of State with a provisional date of 1 April 2021.
25. There will be a shadow Fire Authority Board set up from 1 April 2020, however it is not anticipated that there will be a need for a shadow Fire Pension Board. This is because the pension administration for Isle of Wight will remain separate, along with their own Fire Pension Board, until such time as the CFA takes effect.

## EMPLOYER CONTRIBUTIONS

26. The Board will recall that HM Treasury agreed to fund approx. 95% of the additional employer's contributions required for 2019/20, but at the time, there was no indication about support for future years.
27. The Board will be pleased to note that HM Treasury have agreed that additional funding will be provided for 2020/21 on the same basis as for 2019/20

## GOVERNMENT ACTUARY DEPARTMENT (GAD) VALUATION 2016

28. The production of the 2016 valuation data for GAD was fraught with problems:
  - (a) The year 2015/16 was first year of the new 2015 Fire Pension Scheme.
  - (b) The Civica Pensions Administration system (UPM) was not entirely ready for the 2015 scheme
  - (c) There was a lack of adequate processes to upload all data, particularly in relation to retained FF into the UPM system
  - (d) Hampshire Pension Services (HPS) had issues extracting data for the valuation and as a result missed the deadline for the submission of data
29. Due to time pressures, HPS only had a few days to collate and check the data that was going to be submitted to GAD. It was sent, knowing that it was far from perfect and that there was some missing data.
30. After the data was submitted to GAD, HPS continued to work on improving the data that they held and updating records where necessary.
31. GAD have now released some information specific to the data for Hampshire which can be found in APPENDIX A

32. Most of the data missing was in relation to pay, a large portion of this was in relation to retained FF records or where the member had left, but the leaver had not yet been processed.
33. Where movement data could not be used between the 2012 and 2016 valuation, this can largely be explained by the fact that the 2012 valuation data was extracted from the previous Pension Administration System, AXISe. The way that UPM holds data is very different to AXISe and the two systems reported this information in a different way.
34. HPS now have more robust processes in place to capture and update data more accurately. The UPM system has also seen a number of improvements for Fire Pensions administration since 2016.

#### RECOMMENDATION

35. The Board are asked to note the content of this report
36. The Board are asked to approve sending out a cascade message to all managers about the Member Portal as in paragraph 11-15
37. The Board are asked to approve inviting Clair Alcock to the next available Board meeting to deliver some training / provide a review, as set out in paragraphs 18-20.

#### APPENDICES ATTACHED

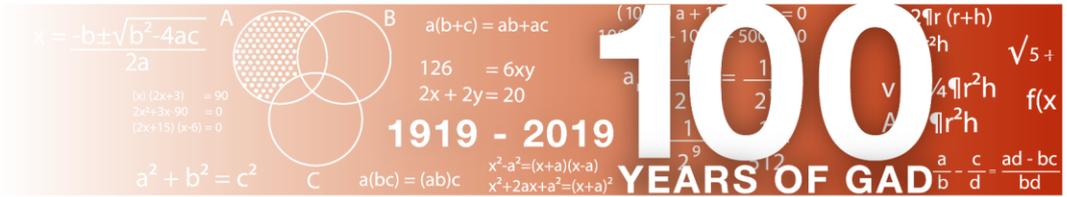
38. APPENDIX A – GAD analysis of valuation data

Contact:

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01962 845481



Government  
Actuary's  
Department



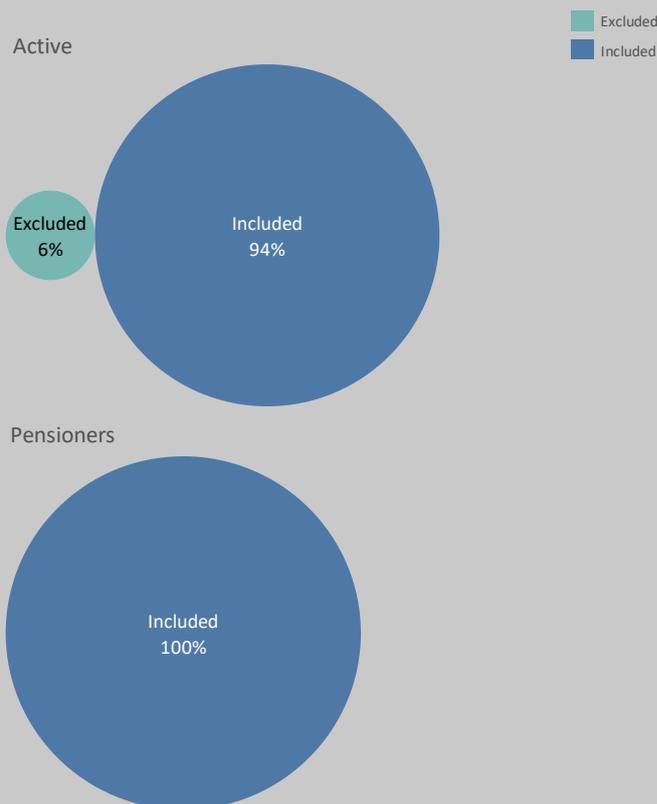
## 2016 valuation data - High level summary of data issues – Hampshire

### Introduction

Following completion of the Firefighters' Pension Schemes (England) actuarial valuation as at 31 March 2016 we have been commissioned by the Home Office to summarise issues that were identified in the data submitted for the valuation for each Fire and Rescue Authority (FRA). This note sets out the key areas where data was excluded from the 2016 valuation for Hampshire. The purpose of the note is to inform where improvements to the member data held/provided for valuations could be focussed to enable more data to be included for the 2020 valuation.

### Chart 1: Proportion of Hampshire members excluded from liability calculations by membership

Chart 1 shows the proportion of active/pensioner membership records used for the liability calculations. Data for deferred members had very few issues and make up a small proportion of the member population, so have not been included in this note.



### Background

As part of the 2016 valuations, individual member data was provided by each of the FRAs. The member data underwent standard checks to confirm validity and reliability.

For the liability calculations, member records that failed checks were excluded and replaced by data for average members of the same category to which the excluded member was originally assigned. For the experience analyses, FRAs were excluded where we were unable to reconcile the data between 2012 and 2016. Assumptions were set using data from a subset of all of the data received.

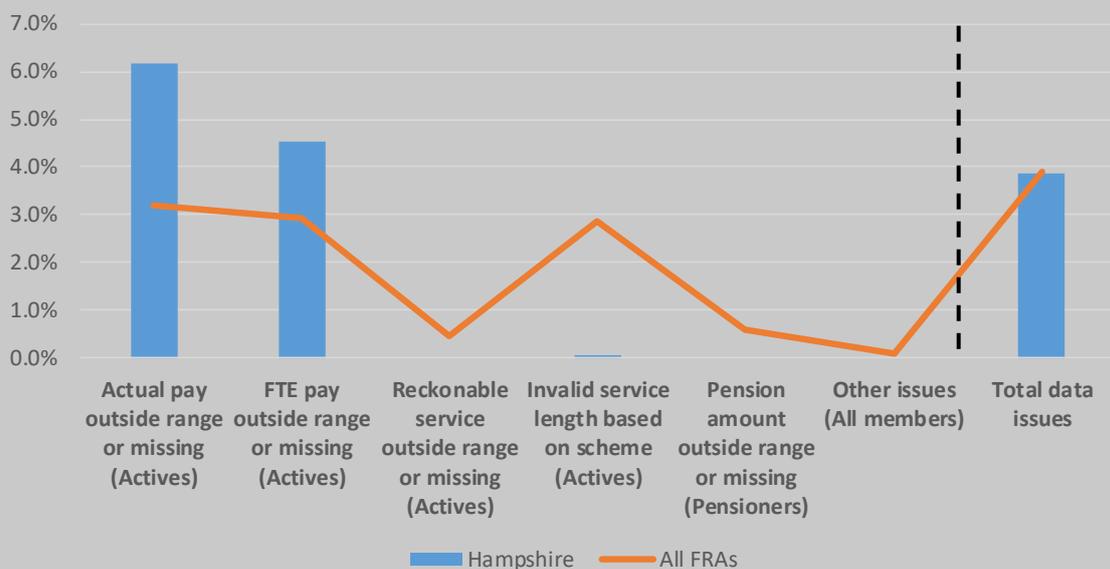
### Limitations

*This note is intended solely for the use of the Hampshire Fire and Rescue Authority and Home Office. It briefly summarises some suggested data improvements to enable more of the scheme's data to be included in the 2020 valuation process. Very detailed checks are not required for valuation purposes, further investigation may identify additional areas that would benefit from improvement for other purposes (e.g. the correct payment of benefits). The information and advice in this note should not be relied upon, or assumed to be appropriate, for any other purpose or by any other person. GAD does not accept any liability to third parties, whether or not GAD has agreed to the disclosure of its advice to the third party. This work has been carried out in accordance with the applicable Technical Actuarial Standard: TAS 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.*



## Chart 2: Proportion of members excluded from Hampshire compared to all FRAs combined

Chart 2 shows the main areas in which data failed our standard checks for the liability calculations with the proportion of excluded active/pensioner membership records falling into each area.



For active members, the main issues related to pay or service data. For pensioner members it was missing pension amounts or figures that were outside of the range that we set as reasonable. In order to reduce the number of excluded records in the 2020 valuation we recommend that you focus on improving the data collected and provided in these areas.

### Next Steps

To improve the data stored and provided for liability calculations, it may be helpful to revisit the pay/service entries (in the tab “Data – Active – Checks”) and pension amount entries (in the tab “Data – Pensioners – Checks”) in the data collection spreadsheet that you submitted to us for the 2016 valuation. In many cases, cells that contain data that failed our checks will be highlighted. You may be able to make system improvements to prevent entries from being blank or investigate and update those which fall outside of range.

## Table 1: Analysis of member experience data between 1 April 2012 and 31 March 2016

To assist us with deriving the demographic assumptions we analysed the movements of the members over the inter-valuation period. The table below summarises the analyses for which the data for Hampshire was used.

	Included	Excluded
Pensioner mortality analysis	✓	
Dependant mortality analysis		✓
Active age retirement analysis		✓
Active other in-service analyses		✓

### Next Steps

In order to use your movement data we must be able to reconcile your data from the start to the end of the valuation period and require pension at death for pensioners/dependants. The active, pensioner and dependants movements summary tables in the “Control” tab of the data collection spreadsheet give an indication of how well the data reconciles. When submitting data, please provide supporting comments if there is a genuine reason that your data does not reconcile (e.g. data improvement exercise carried out) so that we can include as much data in the experience analyses as possible.