



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

HIWFRA FIREFIGHTERS' PENSION BOARD

Purpose: Noted

Date: **12 OCTOBER 2022**

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

Report of Chief Financial Officer

SUMMARY

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

COMMUNICATION

3. Since the last board meeting, the Employer Pension Manager has provided a presentation to new recruits.
4. The next presentation for the pre-retirement course will be in November 2022.

MEMBER PORTAL

5. There has been a slight increase in members registered for the portal. At the last Board meeting, it was reported that at the 31 May 2022, the total membership registered was at 43.84%.
6. Numbers of those registered as of 31 August 2022 are shown in the table below, with the great achievement of active members registered having passed the 50% mark for the first time. We can now say that the majority of our active members are registered on the Pensions Member Portal.

HAMPSHIRE & ISLE OF WIGHT FIRE AND RESCUE SERVICE								
HIWFRA - FPS	Active		Deferred		Pensioner		Totals	
Active	Number	% of active membership	Number	% of deferred membership	Number	% of pensioner membership	Number	% of total membership
Registered	658	52.35%	422	33.41%	723	51.94%	1,803	46.09%
Not registered	599	47.65%	841	66.59%	669	48.06%	2,109	53.91%
Total	1,257	100.00%	1,263	100.00%	1,392	100.00%	3,912	100.00%

COMBINED FIRE AUTHORITY (CFA)

7. The only outstanding issue is for the on-call members who had paid the wrong employee contribution rate between 1 April 2012 and 31 March 2021. It was previously reported to the Board that there were 109 affected members and that the total amount underpaid was £69,506.57.
8. A report was provided to the Standard's and Governance Committee at their July 2022 meeting with a recommendation that recovery of the underpayments is not pursued. This action was approved at the meeting.
9. Letters to the affected members will be sent out shortly, informing them of the amount of underpayment and the decision by HIWFRA to not collect this from the members.

POTENTIAL STRIKE ACTION

10. We are aware that there is a potential for some industrial action occurring in the next few months. With this in mind we are working on pulling together some useful information including an FAQ for members so that they can fully consider any pension implications of any action they take.
11. Whilst it is true that all members are now paying into the 2015 Fire Pension Scheme, there will be differing effects on the pension longer term depending on what mix of benefits a member has.
12. Where a member has membership of the 2015 Fire Pension Scheme then their CARE pensionable pay will be affected by the amount of time that they are out on strike. This in turn will affect the amount of pension that will be added to their CARE pension as this is based on 1/59.7th of their CARE pensionable pay.
13. Where a member also has membership in a legacy scheme, then any absence due to industrial action will result in a loss of one day of pensionable service for each strike day. Where the strike action is for a part day, this will also result in the loss of one day of pensionable service.

14. For members who have 2006 legacy scheme benefits this loss of pensionable service will not directly affect these benefits. The same cannot however be said for members who have 1992 legacy scheme benefits.
15. Members who have 1992 legacy scheme benefits will need to be aware that any loss of pensionable service will have an impact on when they achieve their 30 years, this is still important within the Fire Pension Scheme as the 2015 Scheme provides a link to the legacy schemes and has a guaranteed double accrual benefit.
16. Whilst any final salary benefits from the 1992 or 2006 Fire Pension Schemes are based on the final years whole time equivalent average pensionable pay, where a member has strike action within the last 365 days of membership of the scheme, instead this pay figure will be calculated based on the number of days the member was paid for and will exclude the number of days where no pensionable service has accrued.
17. Where a member takes industrial action they will have the opportunity to elect to pay back the contributions relating to the lost membership. They will also have to pay the employers contributions for the same period which will be 29.50% (28.80% employer contribution rate + 0.70% notional ill health contribution). If a member does elect to pay back the contributions then there will be no effect on their pension or membership.

RISK REVIEW

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

RISK REGISTER

19. At the last meeting the Board asked for risks plotted page to be changed to the risk number rather than the text.
20. The board are asked to review the Risk Register and to suggest any amendments or new risks that need to be added. The Risk Register can be found in APPENDIX A.

MATTHEWS / O'BRIEN CASE

21. As explained at the last Board meeting, we have identified the members that fall into each cohort. We had initially thought that we could exclude members that we had asked to express an interest in the first options

exercise and who did not take up that offer. However, the LGA confirmed that where we had not provided them with a statement of service and pension information then these members could not be excluded, this unfortunately immediately doubled the size of the project and the members concerned.

22. There are three cohorts of members that will fall into scope of this second options exercise that have been set out in a Memorandum of Understanding.
- (a) Cohort 1: Retained firefighters employed on any date between 7 April 2000 and 30 June 2000
 - (b) Cohort 2: Retained firefighters employed on any date between 7 April 2000 and 30 June 2000 as well as any date between 1 July 2000 and 5 April 2006
 - (c) Cohort 3: Retained firefighters employed on any date between July 2000 and 5 April 2006, but not on any date between 7 April and 1 July 2000 who were eligible to take part in the first options exercise but were not given the opportunity to do so.

23. If the employment in a specific role is continuous and it falls within one of the date ranges, then the member is in scope. The table below shows the number of employments that have been identified and those that have been left in scope.

Matthews in scope	Hampshire	IoW	Total
Number of records initially identified	921	264	1,185
First employed on or after 5 April 2006 so out of scope	211	0	211
Left before 7 April 2000 so out of scope	24	0	24
First employed on or after 1 July 2000 and already elected to purchase service in 1st options exercise so out of scope	39	10	49
Total left in scope	647	254	901

24. The next table takes the numbers of those that are left in scope and splits them according to which one of the three cohorts above that they fall into. For cohort 2 this has been further split into two groups one for those that are already purchasing their service from 1 July 2000 and those that did not elect to do so.

Matthews cohorts	Hampshire	IoW	Total
Cohort 1: Left employment between 7 April 2000 and 30 June 2000	3	7	10
Cohort 2a: Elected to purchase service from 1 July 2000 under 1st options exercise, but employment commenced prior to this date.	104	34	138
Cohort 2b: Did not elect to purchase service from 1 July 2000 under 1st options exercise, but employment commenced prior to this date	318	108	426
Cohort 3: First employed on or after 1 July 2000 and did not have the opportunity to elect to purchase service under the 1st options exercise	222	105	327
Total in scope	647	254	901

25. Where an employment is deemed to be in scope, the period of service purchase can be backdated to the very start of their employment. The table below shows the numbers of cases and their earliest years.

Year	Hampshire	IoW	Total	Year	Hampshire	IoW	Total
1966	1	0	1	1987	18	4	22
1967	5	0	5	1988	13	5	18
1969	1	1	2	1989	26	10	36
1970	5	0	5	1990	18	10	28
1971	3	0	3	1991	17	8	25
1972	2	1	3	1992	23	3	26
1973	7	1	8	1993	10	2	12
1974	7	0	7	1994	19	12	31
1975	10	0	10	1995	15	2	17
1976	4	1	5	1996	19	29	48
1977	2	0	2	1997	24	5	29
1978	4	1	5	1998	23	10	33
1979	9	0	9	1999	37	21	58
1980	12	2	14	2000	22	15	37
1981	14	0	14	2001	41	23	64
1982	16	0	16	2002	37	8	45
1983	14	1	15	2003	35	21	56
1984	11	3	14	2004	31	23	54
1985	13	2	15	2005	48	16	64
1986	14	3	17	2006	17	11	28
Sub Total	154	16	170	Sub Total	493	238	731
TOTAL	647	254	901				

26. Out of the 647 Hampshire cases 325 of them will also then be in scope for the McCloud remedy of which 75 will be able to have an Immediate Choice option as they have retired.

27. Out of the 254 loW cases 63 of them will also then be in scope for the McCloud remedy of which 10 will be able to have an Immediate Choice option as they have retired.
28. loW are yet to confirm information about 16 of the Matthews cases as they have indicated that they are Ill Health retirement cases. For these cases, Ill Health certificates will need to be provided to enable the release of the pension.
29. FRAs were required to provide information to the LGA in the summer about the number of cases that would be subject to the Matthews remedy. As we provided such a detailed response, GAD has selected HIWFRA to provide further information. This will help the Home Office in their work to introduce the Matthews remedy and will help GAD estimate the possible impact on scheme liabilities. The additional information needs to be submitted to LGA by 25 November 2022.
30. Draft legislation on the Matthews remedy is expected in the autumn of 2022 and will likely have a 12-week consultation period. We are still waiting for clarity about when the legislation is likely to come into force, but it is anticipated that this will also be 1 October 2023. We expect that there will be some interactions with the McCloud retrospective remedy legislation, and it could prove more problematic if the two bits of legislation do not come into force on the same date.
31. Once the Matthews legislation is in place FRAs will have 18 months to implement it, this includes obtaining all relevant pay data, calculating the pension entitlements, contacting individuals in scope, and dealing with their elections. This period will take us to April 2025 and will run alongside the McCloud remedy implementation. It's going to be a very busy 18 month period!
32. We have not yet formed a project team for this project, but we would be interested to hear the Board's views on whether they think it would be helpful to have anyone from HIWFRA involved in the project team. Especially about obtaining and searching any old employment / payroll details that did not get passed to the IBC, or with regard to contacting members some of which may well have left employment under Hampshire or loW 20 years ago. We only have a last known address for most of these members and so contacting them in the first place if they have moved could prove difficult.

McCLOUD / SARGEANT REMEDY

IMMEDIATE DETRIMENT

33. It remains the Scheme Manager's decision over whether to offer Immediate Detriment or not and the current recommendation to HIWFRA is that the

risks are still very high and to some degree, unquantifiable, and it is therefore not advisable to offer Immediate Detriment.

34. A paper outlining the options, risks and recommendations went to the Standards and Governance Committee in July and they approved the decision to continue the pause on Immediate Detriment. Should revised guidance and or legislation become available which will mitigate the risks for HIWFRA then the decision and options will be reviewed at that point.
35. There has been no movement or update from the LGA about the MoU although we know that negotiations are ongoing, and we are eagerly awaiting new draft tax legislation which is due autumn 2022. Either of these may provide assurances we are seeking, but there are also no guarantees that they will.

McCLOUD REMEDY WORKING GROUP

36. The McCloud Remedy Working Group have been considering a series of warm up comms as we are now less than one year away from the start of the implementation of the McCloud remedy.
 - (a) One year until implementation starts
 - (b) What we know
 - (c) Timeline
 - (d) What we are doing
 - (e) How we will communicate
 - (f) Member Portal
37. The Board are asked for their views on subject, content, and timing of any such comms and also about how these could be best communicated to members.

ILL HEALTH RETIREMENTS

38. The remedy options that must be offered to all members with relevant membership will either be all legacy benefits or all reformed benefits for membership within the remedy period. In preparation for remedy some pre-work is underway with regard to Ill Health retirements.
39. The pre-work is necessary as we need to determine what the Tier of Ill Health benefits would be in the opposite scheme to that which the member retired from as this may affect the benefit options that are to be provided to the member.
40. The criteria for the 2006 and 2015 schemes are broadly the same, so we are comfortable that for these cases we already have the right information

available. The issue arises predominantly for members that have 1992 legacy scheme benefits as the criteria between the 1992 and 2015 schemes are different.

41. Between 1 April 2015 and 31 March 2022 Hampshire awarded 14 Ill Health retirements. For some of these cases the Independent Qualified Medical Practitioner (IQMP) was asked to complete both the legacy and reformed scheme Ill Health certificates at the time of retirement for others they were not.
42. There are now three cases where we have determined that we do not have all the relevant information. The first step is that the HR casework teams will check the files to see if there is the information that we require. If it is deemed that we do not have this information, then these cases will need to be referred to the IQMP so that the missing determinations can be made.
43. In addition to this, we have requested the same information from the loW as they will need to determine what information they have on record. At this time, we do not know how many Ill Health retirements occurred under the loW or what the status of any additional information is. We have been actively requesting this since the end of June 2022 but so far, the information that we require has not been received.

IN SCOPE MEMBERS

44. In June 2022, we wrote to all active firefighters to advise them if we had identified their pension record as in scope or out of scope. This inevitably raised some queries specifically from members who had received an out of scope letter.
45. During August 2022, the Home Office finally provided some clarity and they confirmed that the transitional protection status awarded should have been based on the member and not the employment.
46. There were different taper tables for the 1992 and 2006 schemes and where a firefighter had a WDS role in the 1992 scheme and an RDS role in the 2006 scheme we would have used the 1992 tables for the WDS role and the 2006 tables for the RDS role. This meant that a firefighter could have multiple roles with each having different protection status and transition dates. The Home Office have also clarified that this treatment was incorrect.
47. To assist with the clarification of this information the LGA have provide a factsheet on eligibility which can be found in APPENDIX B.
48. It would have been helpful if the Home Office had provided this clarity in 2012 or indeed in 2015 when the protection status' and transition dates were applied to members records. The outcome of this lack of clarity means that we now have a lot more records that should be in scope of remedy than first

thought; and in addition to this we have incorrectly applied protection status and transition dates to some members records.

49. It also means that we will need to re-write to all active members to correctly notify them if they are in scope or out of scope for remedy. This is because members will have received a letter for each active employment, and they could have received both in scope and out of scope letters. Essentially if they are in scope on one record then any other employments with membership in the remedy period will also be in scope.
50. We are working on this currently and we have approached this in stages, with stage one being to mark all the additional records as in scope. Once we have completed this, we will then move to stage 2 which will be to identify the numbers of records that have an incorrect protection status or transition date.
51. Ideally these records would be corrected, and everything adjusted (contributions, tax etc) before we start the implementation of remedy. But time is short for such a bespoke, potentially intricate and complex piece of work, and we will be correcting the position as part of the rollback for the implementation of remedy in any case. We will therefore collate the information and then take a view about whether to proceed and if so in what capacity.

McCLOUD PROJECT COSTINGS

52. The McCloud project in Hampshire Pension Services is currently on track and on budget.
53. The costs have been split according to a percentage of the total membership and a further adjustment is made due to the complexity of Fire Pension Schemes, such as temporary promotions, contribution holidays, CPD payments and pensionable pay.
54. HIWFRA is attributed with 35% of the Police and Fire costs. The total cost for HIWFRA for 2021/22 was £22,068.88, as shown in the table below.

Fire Pension Schemes - Hampshire and Isle of Wight Fire and Rescue Authority								
2021/22	Estimated Costs			Actual Costs				
Quarter	Resourcing cost for Police and Fire Schemes	% share of costs for HIWFRA	Estimated Costs for HIWFRA	Resourcing cost for Police and Fire Schemes	% share of costs for HIWFRA	Actual Costs for HIWFRA	Difference in actual from estimate	% increase or decrease from estimate
Q1	£ 10,191.49	35.00%	£ 3,567.02	£ 10,904.96	35.00%	£ 3,816.73	£ 249.71	7.00%
Q2	£ 13,714.42	35.00%	£ 4,800.05	£ 9,775.85	35.00%	£ 3,421.55	£ (1,378.50)	-28.72%
Q3	£ 21,691.33	35.00%	£ 7,591.97	£ 22,312.57	35.00%	£ 7,809.40	£ 217.43	2.86%
Q4	£ 22,079.61	34.39%	£ 7,593.70	£ 20,060.55	35.00%	£ 7,021.19	£ (572.51)	-7.54%
TOTALS	£ 67,676.86		£ 23,552.74	£ 63,053.93		£ 22,068.88	£ (1,483.86)	-26.39%

55. The total cost for Police and Fire work on McCloud for quarter 1 of 2022/23 is £20,698.89. The table below shows the estimated and actual costs for the 2022/23 year.

Fire Pension Schemes - Hampshire and Isle of Wight Fire and Rescue Authority								
2022/23	Estimated Costs			Actual Costs				
Quarter	Resourcing cost for Police and Fire Schemes	% share of costs for HIWFRA	Estimated Costs for HIWFRA	Resourcing cost for Police and Fire Schemes	% share of costs for HIWFRA	Actual Costs for HIWFRA	Difference in actual from estimate	% increase or decrease from estimate
Q1	£ 22,384.90	34.68%	£ 7,764.04	£ 20,698.89	35.00%	£ 7,244.61	£ (519.43)	-6.69%
Q2	£ 22,909.30	34.54%	£ 7,912.51					
Q3	£ 25,549.25	34.52%	£ 8,820.08					
Q4	£ 25,549.25	34.52%	£ 8,820.08					
TOTALS	£ 96,392.70		£ 33,316.70	£ 20,698.89		£ 7,244.61	£ (519.43)	-6.69%

RECOMMENDATION

56. That the content of the report be noted by the HIWFRA Firefighters' Pension Board
57. That Risk Register as set out in paragraphs 18-20 and Appendix A be approved by the HIWFRA Firefighters' Pension Board

APPENDICES ATTACHED

58. APPENDIX A – Risk Register
59. APPENDIX B – [Eligibility factsheet](#)

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