



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

HIWFRA Firefighters Pension Board

Purpose: Noted

Date: **5 JULY 2023**

Title: **FIREFIGHTERS PENSION BOARD STATUS REPORT AND 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 meeting, the Employer Pension Manager has provided a presentation for the pre-retirement course on 3 July 2023.
4. HIWFRA ran two Annual Allowance and Lifetime Allowance sessions for its staff. These sessions were run by an external company called Pen-Gage who have a wealth of experience in these particular areas.
5. The sessions took place on 16 May and 24 May, lasted for around two hours and were attended by 36 out of the 54 people that had booked onto the courses. Overall delegates found the session to be useful and informative.

MEETINGS

6. The Employer Pension Manager continues to attend the fortnightly coffee mornings hosted by the LGA team. She has also attended the recent SE Fire Pensions Officer Group, as well as meetings of the Fire Technical Group and the Fire Communications Working Group.

7. The Employer Pension Manager also attended the Data Conference on 17 May hosted by LGA and NPCC. The day was split into four interactive panel sessions and a workshop. The sessions were:
- (a) Successful project management
 - (b) Engaging members after dashboards
 - (c) Cost of the scheme
 - (d) Owning the narrative to make strategic decisions

MEMBER PORTAL

8. The membership of those registered on the portal continues to rise slowly, with just over 50% of the total membership now registered. The numbers of those registered as at 31 May 2023 are shown in the table below:

31 May 2023								
HAMPSHIRE & ISLE OF WIGHT FIRE AND RESCUE SERVICE								
HIWFRA - FPS	Active		Deferred		Pensioner		Totals	
	Number	% of active membership	Number	% of deferred membership	Number	% of pensioner membership	Number	% of total membership
Registered	698	53.73%	500	37.82%	810	58.11%	2,008	50.01%
Not registered	601	46.27%	822	62.18%	584	41.89%	2,007	49.99%
Total	1,299	100.00%	1,322	100.00%	1,394	100.00%	4,015	100.00%

RISK REVIEW

9. 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

10. At the last Board meeting, the Board requested that Pensions Dashboards be added to Risk 7 and that the mitigation of risk 8, which is concerned with changes to the shared partnership, was amended as it was felt that this risk cannot currently be mitigated due to the uncertainty of the future arrangement.
11. The board are asked to review the Risk Register, specifically the amendment of risks of 7 and 8, and to suggest any changes that are required. The Risk Register can be found in APPENDIX A.

MATTHEWS / O'BRIEN CASE

12. The IBC Pensions Admin Team and the loW payroll team have been given a deadline of 30 September 2023 to provide the necessary pay data for each scheme year of employment for each member that we have identified as being in scope for Matthews.
13. The IBC Pensions Admin team have confirmed that they have almost completed the 665 Hampshire cases with the data that they have available. The loW have the remaining 235 cases and they have confirmed that they have not yet been able to start this work and are expecting to provide an update at the end of June.
14. Warm up communications were sent to identified in scope members in May. Communications have also been placed in Routine Notice and in the Drill Night Download to advise staff that letters have been sent out and that they should get in touch if they have not received a letter and believe that they are in scope. We have also arranged for posters to be displayed in stations.
15. A dedicated Hantsfire email inbox has been set up which can be used by members to send back their updated contact form or to raise a query.
16. The Employer Pension Manager attended New Milton Fire Station with ex-Chief Fire Officer Malcolm Eastwood on 25th April. The purpose was to speak to the watch on their drill night about the Matthews remedy, but as it turned out, we needed to talk more generally about pensions before we were able to discuss Matthews, as there seemed to be a great deal of uncertainty and confusion about some of the more rudimentary elements of the pension scheme.
17. The Chief Finance Officer and the Employer Pension Manager met with the On Call Support Officers on 5th June as this group will be a useful way of ensuring that we reach as many affected members as possible, although they will require pensions support and materials to do this.
18. We have also arranged to visit loW on 6 July and to hold a couple of sessions to talk through general pensions issues, build confidence and to make them aware of the Matthews remedy.
19. The Employer Pension Manager attended the Matthews Technical Working Group meetings on the 11th and 25th April and on 25th May.
20. At the Fire Coffee morning on 6 June, there was a presentation from the Government Actuary Department to show the likely input fields that will be needed for the calculator tool. This tool is more advanced than from the 2014 options exercise, this is partly due to lessons learned from that exercise, requests from FRAs and administrators and also because it is

more complex for some members, particularly those that are already in receipt of a pension or elected for a conversion of benefits during the first options exercise.

21. The tool which is still in development, will enable a bulk input of data, which essentially will be the pay, along with any options taken from the first options exercise. It will calculate the service that can be purchased and show the amount of contributions, less tax relief, plus interest that will be due.
22. FRAs have also requested that the tool outputs the calculation of benefits that the member will receive as a result of the service purchase. This element is currently not planned to be funded by the Home Office and therefore the SAB have agreed that the cost of approx. £50,000 can be taken from their budget and then shared between FRAs.
23. As it is for FRAs to calculate the pension benefits and not the administrator, and because we want members to make informed decisions about any purchase, it would seem sensible that this additional functionality is developed.
24. Some analysis has now been completed for the numbers of cases for Matthews that will also interact with the McCloud remedy. The numbers below give an indication of the complexity that this remedy will face and that it will be very important for HIWFRA to liaise with the Hampshire Pension Services team to ensure that the right options are sent to the member at the right time.

As at 1 October 2023					
		Cohort 1	Cohort 2	Cohort 3	TOTAL
	Total number in cohort	10	579	308	897
Actives	Total number of Special Firefighters (SF)	0	79	76	155
	Total SF members that interact with McCloud	0	79	76	155
	SF members with Deferred Choice (DC) for McCloud	0	79	76	155
	SF members with DC that have pension record for this employment	0	71	72	143
	SF members with DC that do not have pension record for this employment	0	8	4	12
Deferreds	Total number of Special Deferred (SD)	3	92	135	230
	Total SD members that interact with McCloud	0	34	59	93
	SD members with Deferred Choice (DC) for McCloud	0	34	57	91
	SD members with DC that have pension record for this employment	0	23	42	65
	SD members with DC that do not have pension record for this employment	0	11	15	26
Pensioners	Total number of Special Pensioner (SP)	7	394	96	497
	Total SP members that interact with McCloud	0	93	45	138
	SP members with Immediate Choice (IC) for McCloud	0	93	45	138
	SP members with IC that have pension record for this employment	0	72	31	103
	SP members with IC that do not have pension record for this employment	0	21	14	35
Deceased	Total number of Deceased members	0	14	1	15
	Total Deceased members that interact with McCloud	0	3	0	3
	Deceased members with Immediate Choice (IC) for McCloud	0	3	0	3
	Deceased members with IC that have pension record for this employment	0	3	0	3
	Deceased members with IC that do not have pension record for this employment	0	0	0	0

25. The consultation for the second options exercise was published on 31 March 2023 and closed on 9 June 2023. The final response that was sent is included in APPENDIX B

McCLOUD / SARGEANT REMEDY

26. The Employer Pension Manager is continuing to attend both the monthly Cross Whitehall Project Management Group for all Public Sector schemes and the fortnightly Home Office Technical Working Group meetings with the LGA, NPCC, pension administrators from Police and Fire sector and also software suppliers.
27. As part of the work for the Home Office Technical Working Group, the Employer Pension Manager was asked to write a paper for the group about the Contingent Decisions and specifically about opted out service. There are a number of questions and concerns about this area that arose as a result of the McCloud retrospective consultation and draft legislation.
28. The paper set out what we know, what was proposed in the consultation, what potential issues there are and what other potential questions need to be answered. The paper was initially discussed by the stakeholder group at their meeting on 13 June.
29. This just highlights one area of concern, but hopefully the board can take some comfort from the fact that such items are being discussed by this group of key stakeholders to attempt to provide as much clarity to the sector as possible, and also to safeguard as far as possible that we have a national way forward ensuring consistency for all members and FRAs.
30. The Home Office published their consultation on the retrospective McCloud remedy along with draft legislation on 28 February 2023, the consultation closed on 23 May 2023. The final version of the response that was submitted on behalf of HIWFRA can be found in APPENDIX C
31. HMRC published the second part to their consultation on the tax rectification regulations on 22 May 2023 this closed on 19 June 2023. HMRC had previously confirmed that where a member has an increased or new tax charge occurring in the remedy period, that this would only apply to the last 4 tax years.
32. These regulations confirm that the in scope and out of scope tax years for tax charges will be fixed, with the in scope years being 2019-20 to 2022-23, regardless of when a member actually received their remedy.
33. They also confirm that where a charge arises members will be able to report this at a later date via a new special format, which is yet to be determined by HMRC. This is particularly relevant for the 2022/23 tax year as administrators have an additional 12 months to provide the Pensions Savings Statements and therefore members would not have the relevant

information to report any charges by the self assessment deadline of 31 January 2024.

34. Some progress has been made on the timetabling of providing remedy options to members. This is still only a tentative plan at present and has only just been discussed by the McCloud project team, so is still subject to change.
35. A plan has been drawn up, which now shows an accurate representation of the number of cases that need to have remedy and the potential likely steps that will be involved in dealing with each case. A more accurate plan cannot be drawn up at this stage as we are not yet clear on exactly what the software will do and whether there will be a need for any manual intervention and if so to what degree.
36. The table below shows the total number of cases that Hampshire Pension Services will have to deal across their Police and Fire clients. The total includes Hampshire and Isle of Wight Constabulary, Hampshire and Isle of Wight Fire and Rescue Authority and West Sussex Fire and Rescue Authority and of that total, the number that relates specifically to Hampshire and Isle of Wight Fire and Rescue Authority is shown. The table also shows the proposed deadline to issue the Remediable Service Statement (RSS).
37. There will be additional cases to deal with on top of these numbers and will include members that that have transferred to another public service pension scheme and contingent decision successful claims. Each of these cases will also require the production of an RSS by the statutory deadline of 1 April 2025.

Group	Immediate Choice or Deferred Choice member	Type	Total number of Police and Fire cases to be dealt with by HPS	Number of total cases for HIWFRA only	Proposed deadline for issue of RSS
1	Immediate Choice	Ill Health Retirements	175	12	31/03/2024
2	Immediate Choice	Beneficiaries	25	10	31/03/2024
3	Deferred Choice	Actives	2,404	633	31/08/2024
4	Deferred Choice	Deferreds	712	329	31/08/2024
5	Immediate Choice	Unprotected and Tapered Pensioners	213	82	30/11/2024
6	Immediate Choice	Protected 2006 Pensioners	33	15	31/01/2025
7	Immediate Choice	Protected 1987 Police and 1992 Fire Pensioners	769	133	31/03/2025
			4,331	1,214	
Other cases to be resolved					
		Immediate Detriment cases	15	9	31/03/2025
		Pension Credit Members	41	7	31/03/2025
		Opted Out Service	Contingent Decisions		31/03/2025
		Added Years	Contingent Decisions		31/03/2025
		Transfer Out	Contingent Decisions		31/03/2025

38. There are number of steps which have been drawn up for each category, but they are in essence:

- (a) Final identification of cases
- (b) Check all service, service break and financial data is present
- (c) Confirm that contribution adjustment record with interest is present
- (d) Where applicable confirm that the Ill health reassessment certificate is present
- (e) Where applicable confirm all relevant beneficiary details
- (f) Complete any rollback to legacy scheme actions
- (g) Calculate Annual Allowance for the remedy years and 2022/23 where applicable
- (h) Produce the relevant RSS
- (i) Process member elections
- (j) Pass any cases where no election received to Scheme Manager
- (k) Confirm any adjustments to Pensions Payroll
- (l) Make any final payment due or arrange collection of any outstanding monies

39. The deadline dates proposed in the table above and the steps needed to provide members with their choice for remedy are subject to change but at this stage, provides a good indication of the volume of work required.

PROJECT RESOURCE AND SOFTWARE COSTS

40. The cost of the McCloud project team which has been in place for some time are shown in the table below.

Year	Total resourcing costs for Police and Fire Schemes	HIWFRA share of costs
2021/22	£ 63,053.93	£ 22,068.88
2022/23	£ 85,488.55	£ 29,920.99
2023/24	£ 121,015.10	£ 41,953.49
	£ 269,557.58	£ 93,943.36

(estimated costs)

41. In addition to the resourcing costs of the project team there are also additional Pension Administration software costs for 2022/23 these were £69,476, but there is now an additional charge of £22,995 bringing the total software costs for HIWFRA for McCloud to £92,471.

42. The additional charge of £22,995 has occurred due to the lateness of the final remedy requirements being available, and Civica needing more resources to develop the software within the same timeframes. They have also assured Hampshire Pension Services that these are fixed costs and that they have reduced their day rate significantly to help keep costs down.
43. The additional costs of the McCloud work are currently covered by a grant held in the Revenue Grants Unapplied Reserve.

RECOMMENDATION

44. That the content of the report be noted by the HIWFRA Firefighters' Pension Board
45. That the risk register as set out in paragraphs 9-11 and Appendix A be approved by the HIWFRA Firefighters' Pension Board

APPENDICES ATTACHED

46. APPENDIX A – Risk Register
47. APPENDIX B – Response to Matthews consultation
48. APPENDIX C – Response to McCloud consultation

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