



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Purpose: Noted

Date **7 FEBRUARY 2020**

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

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. Each year every active member's pension is tested against the standard HMRC Annual Allowance; for 2018/19, this was set at £40,000. Where a member exceeds the standard Annual Allowance then they must be sent a Pension Savings Statement by 6 October following the year end.
4. There were 18 Pension Saving Statements issued to members of the Fire Pension Schemes for 2018/19 and of those, seven had taxable excesses.
5. All bar one of the seven members fall under the Mandatory Scheme Pays option and therefore members have until 31 July 2020 to elect to use Scheme Pays if they so wish.
6. For the remaining one member, they are unable to use Voluntary Scheme Pays as their tax charge will be below the threshold of £1,000 and therefore they will have to pay the charge directly to HMRC themselves.

### IDRPs & BREACHES

7. In August 2019 there was an IDRPs Stage One raised in relation to Fire pensions and the administration by Hampshire Pension Fund.
8. The member had suffered a series of errors, mistakes and delays with the calculation of both a Cash Equivalent Transfer Value (CETV) and their final

pension benefits which included a temporary promotion and a split pension calculation.

9. The IDRPs Stage 1 complaint was upheld.
10. There are now processes that have been put in place to ensure that we capture those firefighters that are impacted by either temporary promotion or split pensions.

## THE PENSION REGULATOR RETURNS

11. In November each year there are several surveys that need to be completed for The Pension Regulator (TPR).

### TPR PENSION ADMINISTRATION & GOVERNANCE SURVEY

12. This survey related to the 2015 Fire Pension Scheme only. The Employer Pension Manager sent a copy of the survey to all Board Members asking for feedback.
13. The survey covers a range of subjects covering administration and governance. The survey was submitted by the deadline and the details can be found in APPENDIX A.

### TPR SCHEME RETURNS

14. TPR send a survey for each scheme. Along with confirming contact details and Board membership, the surveys also ask for membership numbers and data scores for both common and conditional data.
15. Common data is personal data and include items such as name, address, date of birth etc. Conditional data is scheme specific and nationally there is no agreed definitive list only that it should include all data that is necessary to process pensions.
16. TPR introduced the data scoring in 2018 and Hampshire Pension Services used an amalgamation of reports to produce proxy data scores. These reports were based on the data needed for the valuation.
17. During 2019, Hampshire Pension Services purchased a tool called Data Analysis Reporting Tool (DART). This has enabled them to produce a more accurate score as DART is a more thorough and robust system to analyse and check the presence and validity of the data.
18. The full surveys can be found in APPENDIX B, C & D. There is also a summary of the membership numbers and data scores in APPENDIX E.

19. The Pension Board will note from the summary in APPENDIX E, that the data scores for 2019 are lower than for 2018. However, the Board should note that the 2018 schemes were proxy scores and the 2019 scores now provide a more accurate baseline.
20. The Board should be reassured to know that Hampshire Pension Services have put in place a data improvement plan for Fire pension records. The plan can be found in APPENDIX F.
21. One of the largest areas of missing data is for addresses on deferred records. Hampshire Pension Services intend to use Target, a tracing company that they currently use, to provide an initial report; the cost for this would be £1 for each search. The initial report would provide us with details of whether they have a high match, a good match or no match.
22. A high match is where there is a high-grade link to the original address and lots of recent activity there. Target will write out a letter letting the member know that they have found their new address and will be updating their records in the next 7 days. The cost for this is £1.59 per record.
23. A good match is where there is a lower grade link to the original address along with name and date of birth. Target will write up to three times to these members at the new address, inviting them to call in where they will be taken through additional levels of security before confirming any address updates. Target will then provide a list of verified addresses that can be updated. The cost for this is £4.95 per record.
24. Where there is no match, or a high or good match turns out to be incorrect, then Target will carry out a full trace. This is a manual investigation to find and verify a new address for a member. The cost for this is £20 per record on a no trace no fee basis.
25. Hampshire Pension Services are proposing that the initial report is requested which will then identify how many fall into each match category. The Pension Board are asked for their views on this process.

## RISK REVIEW

26. 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.
27. These groups are now well established, meeting regularly and include representatives across the board from pensions, HR, finance and others.

## RISK REGISTER

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

#### O'BRIEN CASE

29. The Board will recall from the last Board meeting that this is the case of the part time judge who won his case. The CJEU ruled that he should be able to have his pension based on all of his service going back to the 1970's. The earliest he had been able to count his service from had been April 2000 when the Part Time Workers Directive came into force.
30. This will affect retained firefighters and specifically the group that were identified for the 2006 Modified Fire Pension Scheme, but potentially other members as well.
31. We do not have any details on the parameters of those involved yet and we are expecting to see some draft legislation around the summer of 2020. Needless to say, this is going to be a complex piece of work, mainly because of the age of some of the records that will have to be looked at.

#### SCHEME ELIGIBILITY

32. During a recent Fire Technical Group and the South East regional Fire Pension Officers Group meeting, it came to light that several FRA's including HFRA may not have putting members into the correct Fire Pension Scheme.
33. Any new entrant to the scheme, whether they opt in, are automatically enrolled or contractually enrolled at the date of appointment since 1 April 2015 has been automatically put into the 2015 Fire Pension Scheme.
34. However, there are cases where they have no eligibility to be a member of the 2015 Fire Pension Scheme and in fact, they should be enrolled into the 2006 Fire Pension Scheme.
35. This could potentially affect a second contract for a firefighter, or at auto enrolment or opting into the scheme where they have employment with HFRA on or before 1 April 2012. The flowchart at APPENDIX H attempts to explain how complex this is.
36. We identified 67 potentially incorrect records of which 49 were determined to be correct due to their date of birth; at the point when they entered the scheme they would have already transitioned to the 2015 Fire Pension Scheme.
37. This leaves 18 records that need to be corrected as they should either have some or all membership in the 2006 Fire Pension Scheme. We are now in the process of sorting out their payroll and pension records as applicable, which may involve a refund of contributions.

38. This is something that needs to be resolved before the McCloud case remedy is dealt with or we will not be providing remedy to the correct records.
39. We will also need to ensure that we have adequate processes in place to capture any new entrants to the scheme and to ensure that we are placing them in the correct scheme.

#### McCLOUD/SARGEANT CASE

40. The Fire Pension Scheme preliminary hearing was held on 18 December. The Employment Tribunal has issued an interim order, which is similar to the interim order issued after the Police Pension Scheme hearing.
41. An employer's circular from the National Employers was sent to all FRAs. Based on this, we issued a communication to all uniformed firefighters about the current interim order and what this means as far as their pension is concerned.
42. The Home Office have issued a factsheet which can be found in APPENDIX J.
43. Pending the official guidance from the Home Office on how to deal with the interim order, we have a number of actions that we can carry out.
  - (a) We are ensuring that any potential ill health retirement cases for a 1992 transitional member are assessed correctly. This means that we are asking the Independent Qualified Medical Practitioner (IQMP) to assess the case under both the 1992 and 2015 scheme rules.
  - (b) We are identifying all Ill Health applications since 1 April 2015 from the 2015 Fire Pension Scheme. These will be divided into categories according to whether they were awarded a lower or higher tier ill health retirement, or not awarded an ill health retirement.
  - (c) We have identified our list of claimants. In total, HFRA has 172 claimants of which 147 are from the 1992 scheme, 23 are from the 2006 scheme and 2 are from the Modified 2006 scheme. Of the 172 claimants, 30 have opted out, left employment or transferred to another FRA.
  - (d) We are in the process of identifying all potential affected members, past and present, the bulk of which are active members.
44. This item is firmly on the agenda for all the Employer Pension Group meetings. As these meetings already have a wide spread of representatives, we plan to use these groups to co-ordinate the work required and to ensure that adequate

resources are put in place. If necessary, the frequency of the meetings will be increased.

45. There will no doubt be a lot of work as a result of both the O'Brien case and the McCloud case. Hampshire Pension Services are already planning for how they can best prepare and get resources in place earlier rather than later.

#### COMMUNICATION

46. The Employer Pension Manager has given three presentations since the last Hampshire Fire Pension Board meeting:
  - (a) At the pre-retirement course on 14 November 2019
  - (b) To transferee recruits on 8 January 2020
  - (c) To new recruits on 17 January 2020.

#### MEETINGS

47. The Employer Pension Manager, the Finance Transformation Manager, Board member Richard North, Chief Fire Officer Neil Odin and two people from Hampshire Pension Services all attended the Pensions Tax seminar held at LGA offices on 12 November 2019.
48. There were several presentations from a variety of stakeholders and covered all manner of things to do with Pensions and tax
  - (a) Craig Moran an actuary from First Actuarial about building the case for change to lobby government
  - (b) Laura Bowler from Pen-Gage about how we communicate this complex issue with our members and the language that we use
  - (c) Kevin Courtney the National Police Chiefs Council Pension Adviser about what Police are doing
  - (d) Clair Alcock from LGA about Unauthorised payments and Scheme Pays
  - (e) Andy Hopkinson from the Fire Leaders Association about the Public Services Pension Alliance (PSPA) and the work that they are doing
  - (f) Annmarie Allen from Barnett Waddingham about what Annual Allowance and Life Time Allowance are and how they are calculated
49. The Employer Pension Manager attended the South East regional Fire Pension Officer Group (FPOG) meeting on 28 October 2019. The meetings are currently attended by a mixture of people, either from Pensions Administration, payroll or HR functions depending on how the FRA is set up.
50. To try and improve both the communication and information sharing with our Local Pension Boards, the group would like to encourage all Local Pension Board chairs to attend these meetings.

51. Invitations to attend the SE FPOG meeting will be sent to the chair of the HFRA Pension Board. There are three meetings per year, and we have agreed to hold all future meetings at Berkshire FRS.
52. The Employer Pension Manager also attended the Employer Focus Group that was run by Hampshire Pension Services on 27 November 2019.
53. The Focus Group acts as a feedback session for Hampshire Pension Services on various topics including,
  - (a) Review of 2019 Annual Benefit Statements
  - (b) Member Portal and developments
  - (c) Monthly reporting discussion

#### MEMBER PORTAL

54. The Board will be pleased to note that there has been an increase in registrations on the Pensions Member Portal. It was reported at the last board meeting that the percentage of those registered was at 16%. This has now increased to 23%.
55. Numbers of those registered are shown in the table below:

Pension online registration numbers as at 04/12/2019							
Number of actives per age range							
HFRA FIRE	under 30	30-40	40-50	50-55	55-65	65+	Total
Registered	9	41	106	56	24	1	237
Not registered	132	240	264	107	51	0	794
<b>Total</b>	<b>141</b>	<b>281</b>	<b>370</b>	<b>163</b>	<b>75</b>	<b>1</b>	<b>1,031</b>
Percentage of actives per age range							
HFRA FIRE	under 30	30-40	40-50	50-55	55-65	65+	
Registered	6%	15%	29%	34%	32%	100%	
Not registered	94%	85%	71%	66%	68%	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							
HFRA FIRE	under 30	30-40	40-50	50-55	55-65	65+	Total
Registered	1%	4%	10%	5%	2%	0%	23%
Not registered	13%	23%	26%	10%	5%	0%	77%
<b>Total</b>	<b>14%</b>	<b>27%</b>	<b>36%</b>	<b>15%</b>	<b>7%</b>	<b>0%</b>	<b>100%</b>

56. More work is still needed to help spread the message about registering for the Member Portal as a large proportion of firefighters are still missing out on seeing their Annual Benefit Statements.
57. Hampshire Pension Services are planning some developments in 2020 which will help to increase registrations.
- (a) By March 2020 they hope to be able to email all new entrants to the scheme, rather than sending them a postal letter, making them register online to complete various actions, such as completing a death grant nomination form.
  - (b) By summer 2020, they hope to be able to introduce member estimates. This will enable members to obtain speculative quotations based on information held on their pension record. This will not be for ill health retirements as these would still need to go through HR.
58. It is hoped that the improved functionality will give members more of a reason to register. This will also be really helpful for Firefighters as they have a number of complex scenarios for their retirement options and this tool will enable them to gain estimates for various dates as far ahead as they wish.

## INJURY PENSION AWARD REVIEWS

59. The Board may recall that HFRA have a policy to review injury pensions within a three to five year period after retirement. There were a number of delays and issues with setting up the process, including problems with securing adequate Independent Qualified Medical Practitioner (IQMP) resources.
60. The HR department wrote to the two Fire pensioners who were due a review to establish if either of them had had a significant change to their injury. The Board will be pleased to note that both members confirmed that their condition had not altered and therefore this completes the process for this year and no further action is required.

## CALENDAR OF ITEMS FOR 2020/21

61. A workplan showing the proposed schedule of items for 2020/21 can be found in APPENDIX K. The Board are asked for any comments or amendments to this plan. The Board are asked to approve the workplan for 2020/21.

## PENSION BOARD MEMBERSHIP

62. The Pension Board will be aware that our Board member Malcolm Eastwood is retiring on 31 March 2020 and therefore this will be his last Board meeting. We would like to thank Malcolm for his efforts not only with our Local Pension Board but also more widely on the national stage in his role as chair of the Scheme Advisory Board.
63. Due to the fact that this is Malcolm's last meeting the position of a Member representative will need to be filled. This will be advertised in the usual way, but it will also be advertised to all Fire pensioners through the annual pensioner newsletter that is sent to all retired members from Hampshire Pension Services.

## PENSION BOARD TRAINING

64. Pension Board members have all completed their Training Needs Analysis form. The summary of the results can be found in APPENDIX L. There some gaps in knowledge in places and there are a few ways that this training can be accomplished.
  - (a) Board members should complete the [Trustee Toolkit online learning](#) on the Pension Regulator website. There are seven different areas and Board members can complete these at their leisure.

- (b) The Board could arrange to invite Clair Alcock to attend as an observer at a Pension Board meeting
- (c) The Board could arrange to invite Clair Alcock to deliver some pension board training, which could be shared with other FRAs if required

#### RECOMMENDATION

- 65. The Board are asked to note the content of this report
- 66. The Board are asked to approve the plan for the data improvement as set out in paragraphs 20-25 and APPENDIX F
- 67. The Board are asked to approve the Risk Register as set out in paragraph 28 and APPENDIX G
- 68. The Board are asked to approve the workplan for 2020/21 as set out in paragraph 61 and APPENDIX K
- 69. The Board are asked to approve arranging for Clair Alcock to attend a Fire Pension Board meeting and to deliver some Pension Board Training as set out in paragraph 64

#### APPENDICES ATTACHED

- 70. APPENDIX A – TPR Administration & Governance Survey
- 71. APPENDIX B – TPR Scheme Return – 1992 Scheme
- 72. APPENDIX C – TPR Scheme Return – 2006 Scheme
- 73. APPENDIX D – TPR Scheme Return – 2015 Scheme
- 74. APPENDIX E – TPR Scheme Return – summary
- 75. APPENDIX F – HPS Fire Data Improvement Plan
- 76. APPENDIX G – Risk Register
- 77. APPENDIX H – Scheme Eligibility flowchart
- 78. APPENDIX J – Home Office factsheet
- 79. APPENDIX K – Workplan 2020/21
- 80. APPENDIX L – Training Needs Analysis summary

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