



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Purpose: Noted

Date

**15 July 2020 (HFRA FIREFIGHTERS' PENSION BOARD)**

**23 July 2020 (STANDARDS AND GOVERNANCE COMMITTEE)**

Title **FIRE PENSION BOARD ANNUAL REPORT (2019/20)**

Report of Chief Finance Officer

### SUMMARY

1. This is the annual report from the Fire Pension Board to the Standards and Governance Committee and summarises the work of the Board for the 2019/20 financial year in the exercise of its functions.
2. This report provides an update on the progress of key issues during the reporting period.

### PENSION BOARD MEETINGS

3. The Pension Board met periodically, holding four meetings, during the 2019/20 financial year:
  - (a) 26 April 2019
  - (b) 9 July 2019
  - (c) 9 October 2019
  - (d) 7 February 2020
4. The meeting in July 2019 saw the re-election of Stew Adamson to Chairman and Richard North to Vice-Chairman. Both will hold the position until the first meeting of the Fire Pension Board following the annual meeting of the Fire Authority in 2020.
5. During the year, the board membership has seen some changes, there have been two new appointments to the Board, Dan Tasker is the new Employer representative and Richard Scarth is the new Scheme representative. Malcolm Eastwood retired from the Board with effect from 31 March 2020 and therefore the February 2020 meeting was his last.

6. The key items covered at these meetings are as follows, more detailed information about each of these items can be found later in the report.
- (a) Statutory reporting
  - (b) Internal Dispute Resolution Procedures (IDRP)
  - (c) Surveys
  - (d) Communications
  - (e) Legislation update
  - (f) Injury pension reviews
  - (g) Temporary Promotions and Additional Pension Benefits
  - (h) Risk review
7. The pension board status and other associated reports can be found in APPENDICES A – I.

#### STATUTORY REPORTING

8. There are a number of statutory reporting events that occur during the Scheme Year all with legislative deadlines.

#### ACCOUNTING FOR TAX

9. Accounting for Tax (AFT) is the way that tax charges are reported to HMRC, these occur when certain types of payments are made to members of the Fire Pension Scheme. These are reported and paid quarterly, the exception to this is Annual Allowance tax charges as they have different deadlines.

Type of payment	Number of members	Tax year or quarter relates to	Amount paid
AFT - Annual Allowance	5	2016/17	£84,234
AFT - Annual Allowance	1	2017/18	£25,873
AFT - Lifetime Allowance	1	2019/20	£75,035
<b>Total paid to HMRC</b>	<b>7</b>		<b>£185,142</b>

#### EVENT REPORTING

10. In April 2019, the details of the Event Reporting for the 2017/18 tax year were reported to the Board. These are specific events that occur, primarily upon retirement when benefits are crystallised and incur a tax charge. They are reported to HMRC by the 31 January, following the end of the tax year.
11. It was reported to the Board that in March 2019, an audit of payments made to HMRC was carried out and there were found to be some outstanding charges that had not been paid over to HMRC, although they had been budgeted for.

Type of payment	Number of members	Tax year or quarter relates to	Amount paid
Event 1 – Unauthorised payments	11	2015/16	£32,480
Event 1 – Unauthorised payments	12	2016/17	£58,445
Event 1 – Unauthorised payments	6	2017/18	£19,026
<b>Total paid to HMRC</b>	<b>29</b>		<b>£109,951</b>

#### ANNUAL BENEFIT STATEMENTS

12. The statutory deadline for issuing Annual Benefit Statements (ABS) is 31 August each year. The Board heard that the 2019 deadline was met and that 100% of ABS' for both active and deferred members across all Fire Pension Schemes were published and available to view via the Member Portal.
13. The Employer Pension Manager has been involved with providing feedback to Hampshire Pension Services with regard to improvements, wording and consistency for the 2020 statements.

#### PENSION SAVINGS STATEMENTS

14. The statutory deadline to provide Pension Savings Statements is 6 October each year. A Pension Savings Statement is automatically sent to a member where they have exceeded the standard Annual Allowance in the year but can be sent to any member upon request.
15. There were 18 Pension Savings Statements issued to members of the Hampshire Fire Pension Schemes for 2018/19 and of those, seven had taxable excesses.
16. It was reported to the Board that all bar one of the seven members fell under the Mandatory Scheme Pays option and therefore these members have until 31 July 2020 to elect to use Scheme Pays if they so wish.
17. For the remaining one member, they were unable to use Voluntary Scheme Pays as their tax charge was below the threshold of £1,000 therefore, they would have to pay the charge directly to HMRC themselves.

#### INTERNAL DISPUTE RESOLUTION PROCEDURES (IDRP)

18. The Board heard that there had been two IDRP cases from firefighters.
19. The first was raised at the end of 2018/19 and reported to the Board in April 2019. This was a Stage Two IDRP against HFRA with regard to the non pensionable status of an allowance. The stage Two complaint was not upheld.
20. The second was raised in the summer of 2019. This was a Stage One IDRP against the Pension Fund. 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. The Stage One complaint was upheld

21. The Board were pleased to note that processes have now been put in place to ensure that we capture those firefighters that are impacted by either temporary promotion or split pensions.

### COMMUNICATIONS

22. It was reported to the Board that the Employer Pension Manager had delivered six presentations on Fire pensions during 2019/20; Three were for new recruits and three were part of the pre-retirement course.
23. The presentations include information on all four Fire Pension Schemes and cover how the schemes work, examples of how benefits are calculated, along with a brief explanation of Annual and Life-Time Allowances and HMRC maximum benefits.

### MEETINGS

24. HFRA has been represented at several meetings during the year. The Employer Pension Manager regularly attends the regional Fire Pension Officer Group and the Fire Technical Group.
25. Over the year there was also attendance at several seminars, workshops and conferences put on by the Scheme Advisory Board (SAB)
  - (a) Data seminar
  - (b) Police and Fire Governance conference
  - (c) Police and Fire Ill Health and Injury Pension workshop
  - (d) Pensionable Pay workshop
  - (e) Annual Fire Pension conference
  - (f) Pensions Tax seminar

### MEMBER PORTAL

26. The Board heard how Hampshire Pension Services had launched the Member Portal for firefighters on 1 April 2019.
27. The new online service means that firefighters no longer receive Annual Benefit Statements directly to their home address and instead are expected to logon to view them. Members are able to update personal details, death grant expression of wish nominations (where applicable) and use the secure messaging system to contact Hampshire Pension Services.

28. Despite a number of communications around this, registrations for the Member Portal are still very low; at the February meeting it was reported at 23% of active membership. It is hoped that as additional functionality is added to the online service during 2020/21, along with additional communications that this will increase registrations.

## SURVEYS

29. There were a number of surveys that were completed during the 2019/20 year

## TPR SCHEME RETURNS

30. It was reported to the Board that the Employer Pension Manager had completed the Annual Scheme Returns issued by The Pension Regulator (TPR) by the deadline of 15 November 2019. This survey requires information to be submitted about scheme membership numbers, details of the scheme manager, Fire Pension Board members, details of the administrator and other relevant contact details.
31. As at 31 March 2019, the scheme numbers reported to the TPR were as follows:

Member status	1992 Scheme	2006 Scheme	2015 Scheme	Total
Active	110	57	1,055	1,222
Deferred	81	463	358	902
Pensioner	967	111	5	1,083
Total	1,158	631	1,418	3,207

32. TPR also now ask additional questions to assess the state of common and scheme specific conditional data that is held. 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.
33. The Board heard how TPR had introduced the data scoring in 2018 and Hampshire Pension Services had used an amalgamation of reports to produce proxy data scores. These reports were based on the data needed for the valuation. The Proxy scores for 2018 were as follows:

Scheme	Common Data Score	Conditional Data Score
1992 Fire Pension Scheme	97%	99%
2006 Fire Pension Scheme	95%	99%
2006 Modified Fire Pension Scheme	99%	98%
2015 Fire Pension Scheme	99%	97%

34. 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. The Data scores for 2019 were as follows:

<b>Scheme</b>	<b>Common Data Score</b>	<b>Conditional Data Score</b>
1992 Fire Pension Scheme	96%	90%
2006 Fire Pension Scheme	84%	75%
2006 Modified Fire Pension Scheme	98%	82%
2015 Fire Pension Scheme	97%	73%

35. The Board noted that although the 2019 Data scores were lower than the 2018 scores, the 2019 scores provided a more accurate baseline and they approved a Data Improvement Plan that has been drawn up by Hampshire Pension Services.

#### TPR PENSION ADMINISTRATION & GOVERNANCE SURVEY

36. It was also reported to the Board that the Employer Pension Manager had completed the annual TPR Administration and Governance survey 2019. To be able to complete this accurately, the Employer Pension Manager consulted with the Pension Board chair, vice-chair along with other Board members, Hampshire Pension Services and other representatives.
37. From the results of the 2018 survey, TPR identified six key processes that Scheme Managers should have in place with only 63% of Firefighters Pension Schemes across the UK reporting that they had all six processes in place:
- (a) Documented policy to manage board members conflicts of interest
  - (b) Access to knowledge, understanding and skills needed to properly run the scheme
  - (c) Documented procedures for assessing and managing risks
  - (d) Process to monitor records for accuracy / completeness
  - (e) Process for resolving contribution payment issues
  - (f) Procedures to identify, assess and report breaches of the law
38. The Board were pleased to note that Hampshire has all six processes in place, and this was reflected in the answers provided in the annual TPR Administration and Governance survey 2019.

#### AON ADMIN & BENCHMARKING REVIEW

39. In 2018 the Fire Scheme Advisory Board (SAB) for England commissioned an administration and benchmarking review with the aim of establishing how

much the scheme costs to run and how effective Fire pension administration is.

40. The report from AON 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.
41. The Board heard that the SAB, supported by its three committees, is considering the recommendations made and will issue a report on focusing on the actions needed to progress the work.

#### LEGISLATION UPDATE

42. The Board noted that HFRA and Hampshire Pension Services had been involved with a consultation on Regulation amendments, which then also came into effect.

#### CONSULTATION

43. The Home Office launched a consultation on 18 December 2018 regarding the Supreme Court ruling in the case of Walker v Innospec as follows:
  - (a) Changes to survivor benefits in the 1992 Fire Pension Scheme and the 2006 Fire Compensation Scheme to remove the restriction on using membership from April 1988 only in the calculation of a survivors pension for surviving civil partners and same-sex marriage. Which means that pensions are now equalised for these types of survivor benefits.
  - (b) A minor unrelated correction required to ensure that one particular aspect of the 1992 Fire Pension Scheme works as originally intended
44. This consultation was issued to the Employer Pension Manager as a member of the Fire Technical Group, and then taken to the Fire employer Group for discussion. This is an important role of the Fire Employer Group in ensuring that up-coming legislative changes are communicated to the relevant parties so that the necessary action can be taken.

#### AMENDMENT LEGISLATION

45. The Police and Firefighters' Pension (Amendment) Regulations 2019 (SI 2019/378) were laid on 28 February 2019 and came into effect on 1 April 2019. A Technical note was issued by LGA to confirm details of the amendment order and how it relates to the Firefighters Pension Scheme.

#### CIVIL PARTNERSHIP REGULATIONS

46. On 5 November 2019 the Government made the Civil Partnership (Opposite-Sex-Couples) Regulations 2019 which came into effect on 2 December 2019.
47. These regulation were made in response to the Government consultation published on 10 July 2019 which proposed changing the law to allow opposite-sex couples to form civil partnerships.

#### SCHEME ADVISORY BOARD LEVY

48. The Scheme Advisory Board (SAB) levy for 2019/20 was £6.67 per active fire-fighter. The levy enables costs savings for Fire Authorities by reducing duplication and undertaking guidance and communications centrally.
49. The levy enables SAB to provide invaluable support to FRAs in a number of ways including
  - (a) The continuous updating of the <http://www.fpsregs.org> website, which is a very useful resource on Fire Pension Scheme legislation
  - (b) Provision of guidance, forms and templates
  - (c) The issue of monthly bulletins, containing all legislative updates and other useful information
  - (d) Training sessions, workshops and conferences throughout the year on various subjects

#### INJURY PENSION REVIEWS

50. HFRA have a policy to review injury pensions within a three to five year period after retirement. The Board heard that there were various delays and issues with setting up the process, including problems with securing adequate Independent Qualified Medical Practitioner (IQMP) resources.
51. 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. It was reported to the Board that both members had confirmed that their condition had not altered and therefore the process for 2019/20 was completed and no further action was required.

#### TEMPORARY PROMOTIONS AND ADDITIONAL PENSION BENEFITS

52. There was an amendment to legislation on 1 July 2013 which allowed individual FRAs to decide whether the additional pay received because of a temporary promotion for 1992 and 2006 schemes was pensionable or not. Legislation means that temporary promotions within the 2015 Scheme are not pensionable.
53. HFRA took the decision to make temporary promotions within the 1992 and 2006 schemes pensionable, which meant that firefighters would now earn an Additional Pensionable Benefit (APB) whilst on Temporary Promotion.

54. Affected members were informed of this change on 5 August 2016. Members were placed in one of three cohorts according to their earliest possible retirement date.
- (a) Cohort one was for members already retired
  - (b) Cohort two was for members who could retire within three years of the date of the notification letter (5 August 2016)
  - (c) Cohort three was for members with a retirement date further ahead
55. The 42 members in cohorts one and two therefore became protected members under this local arrangement and the maximum cost envelope agreed by HFRA of the estimated costs were £256,000 for lump sums and £35,700 a year for annual pensions.
56. Up to 2018/19 there had been 14 retirements and it was reported to the Board that the differences that have been paid out so far for these members were broadly in line with the estimated figures prepared in 2016; and are all still within the maximum cost envelope.
- (a) Total of all lump sum differences paid are £175,716.76
  - (b) Annual pensions differences paid for 2018/19 are £18,019.76
57. There are a number of factors which could mean that the estimated figures might be exceeded
- (a) A different retirement date to the one used in the estimate
  - (b) Pay increases since 2016 to date of retirement
  - (c) A protected and unbroken period of temporary promotion which continues until date of retirement
  - (d) The increase in the commutation factors for the 1992 scheme that came into effect in October 2018.
58. The Board heard that should we get close to exceeding the maximum cost envelope then further approval will need to be sought for additional funding.

## RISK REVIEW

59. There are a variety 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.
60. These groups are now well established, meeting regularly and include representatives across the board from pensions, HR, finance and others.
61. The Board heard about two specific risks arising from two court judgements that will inevitably have an impact on Fire Pensions. These are

- (a) The O'Brien case which is for part time workers in the Judiciary Pension Scheme
- (b) The McCloud / Sargeant transitional protections case for the Judiciary and Firefighters pension schemes

#### O'BRIEN v MINISTRY OF JUSTICE COURT CASE

- 62. 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.
- 63. The CJEU ruled that Mr O'Brien 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.
- 64. The judgement will have a significant financial impact on the calculation of pensions for part-time judiciary as well as other part-time workers.
- 65. As far as Fire Pensions are concerned, this judgement is likely to have an effect with regard to the 2006 Modified Fire Pension Scheme. This scheme allowed retained firefighters to backdate their entry of the pension scheme to 1 July 2000.
- 66. It was reported to the Board that 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.

#### SARGEANT v LONDON FIRE AND EMERGENCY PLANNING AUTHORITY COURT CASE

- 67. This is the Transitional Appeals case which found that the transitional protections introduced with the 2015 Pension Schemes were unlawfully discriminatory on the grounds of age. There have been two cases, one for the Judiciary pension scheme brought by McCloud and one for the Firefighters pension scheme brought by Sargeant.
- 68. The Fire Pension Scheme preliminary hearing was held on 18 December and the Employment Tribunal issued an interim order. However, in order to comply with the order, FRAs need further direction from Government on the practical steps to enable implementation.
- 69. Pending the official guidance from the Home Office, the Board heard that HFRA have started to collate some information so that some immediate

events, primarily, but not exclusively around ill health retirements can be dealt with as soon as the guidance is received.

70. Technical discussions have been taking place between the Government, the Scheme Advisory Board and other key stakeholders. These discussions are currently confidential. A consultation was expected to be issued in the Spring of 2020, this has been delayed due to the impact of Covid-19, but it is anticipated that it will be available before the July 2020 remedy hearing for Firefighters Pension Schemes; we hope the consultation will have details about how remedy will work and be implemented for affected members.
71. 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.

### OTHER ITEMS

72. At the July meeting, the Board received a report of the Pension Administrator. They were pleased to note that Hampshire Pension Services had performed very well during the year. The Board heard that they had once again been awarded Customer Service Excellence accreditation with compliance plus in seven areas.

### FUTURE ISSUES

73. The Fire Pension Board annual report has identified considerable development across a variety of areas. The focus for the 2020/21 year includes:
  - (a) Improvements to functionality of Member Portal
  - (b) Work towards the Combined Fire Authority
  - (c) Remedy and impact from McCloud / Sargeant judgement
  - (d) Potential impact from the O'Brien judgement

### CONCLUSION

74. As set out in this report, there has been continued progress across all areas of fire pensions during 2019/20; in particular around governance and control, together with significant improvements in the quality and range of pension information that is available to firefighters.
75. For 2020/21, the year will be about sustaining the continuous improvement and building on the foundations that have been put in place. It will also be a challenging year with a number of upcoming changes to the pension schemes.
76. Although the list of future issues only contains four items, the volume of work for each of these should not be underestimated. Each area will have its own

complexities and challenges and having the right amount of resources in place will be key.

77. Hampshire Fire Pensions are in a good place as there is already a vital structure in place with the Employer Pension Manager and the Employer Pension Groups which are an excellent multi-departmental resource across the Shared Services partnership and they will be crucial in co-ordinating the work involved.

#### RECOMMENDATION

78. That the contents of this report are received and noted by the Standards and Governance Committee
79. That the Standards and Governance Committee provides any feedback to the Fire Pension Board on previous work or on future areas of priority.

#### APPENDICES ATTACHED

80. APPENDIX A – Fire Pension Board report (26 April 2019), [report](#), [appendices](#)
81. APPENDIX B - Legislation and Local Government Association (LGA) Update report (26 April 2019), [report](#), [appendices](#)
82. APPENDIX C – Fire Pension Board report (9 July 2019), [report](#),
83. APPENDIX D - Legislation and Local Government Association (LGA) Update report (9 July 2019), [report](#), [appendices](#)
84. APPENDIX E - Pension Administration update report (9 July 2019), [report](#)
85. APPENDIX F – Fire Pension Board report (9 October 2019), [report](#), [appendix](#)
86. APPENDIX G - Legislation and Local Government Association (LGA) Update (9 October 2019), [report](#), [appendices 1](#), [appendices 2](#)
87. APPENDIX H – Fire Pension Board report and Risk Review (7 February 2020), [report](#), [appendices](#)
88. APPENDIX I - Legislation and Local Government Association (LGA) Update (7 February 2020), [report](#), [appendices](#)

Contact:

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