



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Noted

Date **15 SEPTEMBER 2017**

Title **FIRE PENSION BOARD ANNUAL REPORT**

Report of the Chief Financial Officer

SUMMARY

1. This is the annual report from the Fire Pension Board to the Standards & Governance Committee, and summarises the work of the Board for 2016/17 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 quarterly during the 2016/17 financial year. Four meetings were held during the year:
 - 14 April 2016
 - 18 August 2016
 - 21 November 2016
 - 27 February 2017
4. The primary focus of the Pension Board during the year was the material issues extracted from the Pensions Issues Log.

5. The Pensions Issues Log was reported in full as a standard item on Board agendas during 2016 but from February 2017 the decision was taken to no longer provide the actual Pensions Issues Log which included a large number of minor items and was not in the right format for regularly updating Board Members. As an alternative, major updates on key items are now provided in the body of the report.
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.
 - Protected Pension Age for members of the 1992 Scheme
 - Treatment of Temporary Promotions
 - Modified Fire Pension Scheme
 - Annual Benefit Statements
 - Briefing Sessions to members
 - Contribution holidays for 30 years service in 1992 Scheme
 - Training Allowances
 - The Pension Regulator Self Assessment Tool
 - Training for Board members
7. The pension board reports can be found in APPENDIX A, B, C and D

PROTECTED PENSION AGE FOR MEMBERS OF 1992 SCHEME

8. In 2010, there were changes to the Finance Act 2004 which changed the minimum pension age from 50 to 55. For members of the 1992 scheme, they retained a Protected Pension Age of 50.
9. To retain the Protected Pension Age, the member must meet two criteria
 - Leave all employments at the same time when retiring
 - Have a break of at least one month before being re-engaged
10. If the above conditions are not met, then any payments received up to age 55 are deemed as unauthorised payments and tax charges therefore apply.
11. All members of the 1992 scheme who could retire between ages 50 and 55 were written to on 31 January 2017 to advise them of their Protected Pension Age and what they would need to do to retain this.
12. In 2010/11, HMRC advised HFRA that there were four such unauthorised payment cases and in March 2017, HMRC provided a ruling to enable these cases to be settled. Provision for this cost was allowed for in the accounts.

TREATMENT OF TEMPORARY PROMOTIONS

13. There was a change to the Regulations on 1 July 2013, which altered the pensionable status of earnings when firefighters were on a Temporary Promotion (TP).
14. This change was not picked up until 2015 and as a result there was a failure to comply with legislation and this breach was reported to The Pension Regulator.
15. A decision was made by F&GP Committee in February 2016 to retrospectively confirm that TPs would remain pensionable, but the benefits would be accrued as an Additional Pension Benefit (APB) in line with the Regulations, rather than counting towards final salary pension benefits.
16. Identifying who was actually on a TP proved to be more challenging than first anticipated and obtaining the information necessary so that the relevant pension and Annual Allowance calculations all had to be done manually.
17. Due to the fact that obtaining the correct information was very labour intensive and that the timing coincided with the essential 2016 End of Year activities for Pensions. This work was put on hold until after this essential work was complete.
18. On 5 August 2016, the affected firefighters were written to, in order to explain the change in the pension regulations and the potential impact on them and to explain that detailed calculations around their pension benefit and Annual Allowance tax position needed to be carried out for the preceding three years.
19. The groups of staff identified as being on a TP were separated into different cohorts as the impact for these staff differed. The cohorts were defined as: -
 - Cohort 1: Retired firefighters who have incorrectly benefitted from a higher final salary pension since July 2013 (6 staff affected)
 - Cohort 2: Active firefighters who could retire within 3 years of the date they were notified of the change in regulations which is 5 August 2016 (30 staff affected)
 - Cohort 3: Active firefighters whose retirement date is later than three years of the date they were notified of the change in regulations which is 5 August 2016 (147 staff affected)

20. In addition, the 2015 CARE Regulations state that a period of TP is not pensionable at all. This meant that for any firefighter who had or was due to transition to the 2015 pension scheme, their TP for the purposes of earning pension benefits would have already ended on 31 March 2015 or their taper date.
21. The Pension Board were asked to note the recommendations in a report that went to the HR committee about how to treat the three cohorts of staff. This report can be found in APPENDIX C
22. The recommendations were accepted and all staff affected were written to advising them of the affect on their individual pension benefits.

MODIFIED FIRE PENSION SCHEME

23. On 1 April 2014, the 2006 Fire Scheme Regulations were amended to enable retained firefighters who were employed between 1 July 2000 and 5 April 2006 to gain entry to the new Modified Fire Pension Scheme.
24. It was reported to the Pension Board that there were 168 members that took up the option to backdate their membership and pay the contributions to join the Modified Fire Pension Scheme.
25. During the 2016/17 year, payments were made by those paying by lump sum and all the members that had elected to pay by monthly Direct Debit were written to and payments were set up. All members that were pensioner members were paid all the arrears of pension that they were due. Tax certificates, where applicable, were sent to members to enable them to claim the tax relief on contributions.
26. Nationally, concerns have been raised that the process and information provided for offering the backdating to Firefighters was not handled well in all Authority's and this is something that is being pursued by the Scheme Advisory Board. Locally, there is no discretion to re-visit this issue as the statutory deadlines have passed, but it has been recognised that there were some limitations and failures associated with the approach applied in Hampshire.

ANNUAL BENEFIT STATEMENTS

27. The statutory deadline for the issue of Annual Benefit Statements (ABS) is 31 August each year.

28. The statements that were due in August 2016 would include the first year of CARE benefits for those that moved to the 2015 scheme on 1 April or tapered during the year.
29. The 31 August 2016 deadline was not met and as this was a breach in the regulations the Pension Board agreed that this should be reported to The Pension Regulator (TPR).
30. The failure to produce ABS' by the deadline was due to two issues
 - The 2015/16 year was the first year of the new CARE scheme, which increased the complexity and
 - Civica, the software supplier for the Pensions Services administration system, were unable to provide the software updates to enable accurate and complete statements to be prepared by the deadline.
31. ABS' were successfully issued to members by 31 December 2016 and the TPR was updated accordingly.
32. The TPR took a pragmatic approach and notified us in January 2017 that they would not be taking any action against the trustees (HFRA) for the late production of ABS'.
33. Members will be pleased to hear that Annual Benefit Statements for 2016/17 have been issued in line with the statutory deadline.

BRIEFING SESSIONS TO SCHEME MEMBERS

34. To assist staff in understanding their new CARE Annual Benefit Statements, briefing sessions were arranged. The Pension Board were informed that there would be three briefing sessions for staff to discuss the most recent changes in their pension arrangements.
35. The briefing sessions were held in stations across the County and were well attended, they also enabled staff to ask questions about TP and other issues that had arisen.
36. The Pension Board were also informed about briefing sessions for senior managers across Fire, Police and Hampshire County Council that were held in late March in order to inform them about tax issues as they relate to pensions and ways of mitigating the potential impact these can have on individuals.

CONTRIBUTION HOLIDAYS FOR 30 YEARS SERVICE IN 1992 SCHEME

37. On 30 September 2016, new legislation came into force for the 1992 scheme. This enabled any firefighter who would attain 30 years service before the age of 50 to be entitled to a contribution holiday up to their 50th birthday when contributions would commence again. This change was retrospective to 1 December 2006.
38. It was reported to the Pension Board that there were 87 retired members who were entitled to a refund under this legislation and an additional 21 members who were still in active employment.
39. The Government Actuary Department issued a repayment calculator to calculate the net payment due plus interest payable to the member. The gross amount of tax is to be paid to HMRC and the total costs will be refunded to HFRA by the Home Office.

TRAINING ALLOWANCES

40. The Pension Board was asked to note the position and the reasons behind the recommendations to Standards & Governance Committee on 23 March 2017 to make the training allowance a pensionable emolument from 1 April 2017 and for Additional Responsibility Allowances to remain non pensionable allowances.

THE PENSION REGULATOR SELF ASSESSMENT TOOL

41. The TPR self assessment tool is a way of evaluating how the Fire Pension Scheme is being managed and where things can be improved.
42. The tool is split into three categories
 - Governing your scheme
 - Managing risks and issues
 - Administration
43. The scoring is done on a RAG (Red, Amber and Green) status to help identify areas for development.
44. The first self assessment gave a result of 1 red area and 7 amber areas and 13 green areas. A plan has been put in place to address the areas that require improvement.

TRAINING FOR BOARD MEMBERS

45. Pension Board members were invited to complete a Training Needs Analysis (TNA) in order to obtain an assessment of individual and collective training needs.
46. During the course of the year, training was provided and all Pension Board members were invited to update their TNA. The most current TNA assessment shows a substantial increase in knowledge and awareness following the LGA sponsored workshop that Pension Board members attended.
47. A short training session on specific topics also highlighted within the TNA will be given at the end of each Board meeting and annual updates on the TNA will be assessed for progress.

FUTURE ISSUES

48. Due to the significant amount of work that is still required to deal with retrospective and complex issues in respect of the Fire Pension Schemes, additional resources from within Pensions Services have been secured for a period of two years.
49. In addition it was reported to the Board that Pension Employer Groups have been set up for Fire, Police and HCC which includes representatives from Finance, HR and the IBC. These groups consider a range of issues that need to be resolved and look at improvements in process and information that can be introduced. Separately, a group that includes Pension Admin (within the payroll team in the IBC) and Pension Services (who administer pensions for all three organisations) has also been set to consider administrative issues across all schemes and how the two teams interact with one another.
50. The report has identified considerable progress across a number of areas as a result of the additional resources and the new arrangements identified above. The focus for the 2017/18 year includes:
 - Addressing the outstanding red and amber issues from the TPR self assessment tool.
 - Improved employer pension web site for members
 - Improved communication and available pension information, including pension presentations to new recruits and pre retirement courses.
 - A complete review of firefighter allowances, including control, governance and the process.

CONCLUSION

51. Since the establishment of the Fire Pension Board there has been significant improvement in governance and control. Pension Board members have also developed their understanding and knowledge of the Fire Pension Schemes.
52. Whilst some historic administrative issues remain, we are now moving more into a period of continuous improvement and it is anticipated that with the additional resources now in place that substantial progress will be made in the 2017/18 year.

RECOMMENDATION

53. That the contents of this report are received and acknowledged by the Committee
54. That the Committee provides any feedback to the Board on previous work or on future areas of priority

APPENDICES ATTACHED

- Appendix A – Fire Pension Board report 14 April 2016
- Appendix B – Fire Pension Board report 18 August 2016
- Appendix C – Fire Pension Board report 21 November 2016
- Appendix D – Fire Pension Board report 27 February 2017

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