

Hampshire Fire and Rescue Authority**Fire Pension Board****Item 6****14 April 2016****Pensions Issues Log****Report by Head of Finance**

Contact: Sandy Gregory - Telephone: 01962 845475 - email:

sandy.gregory@hants.gov.uk

1 Summary

- 1.1 This report summarises the range of current issues related to the administration and management of Firefighters pensions which largely arise from recent changes to schemes and employment tribunal matters. Progress toward resolution of these issues is summarised below and in the pensions issues log attached to this report.

2 Recommendations

- 2.1 That the contents of this report which summarises progress toward resolution of the pensions issues for Hampshire Fire and Rescue Service be noted.

3 Introduction and background

- 3.1 The purpose of this report is to summarise, for awareness of the Board, the full range of current pension related issues which require resolution, to confirm progress on these issues and to report on those aspects which have been completed.

4 Pensions Issues Log

- 4.1 Attached to this report at Appendix 1 is the pensions issues log which has been created to assist in the effective management and monitoring of these matters. The log includes the following key updates since the last Pension Board meeting in January 201:
- Progress on a number of on-going issues has been noted on the log.
 - No issues have been closed during the last quarter
 - Three new issues have been added to the log since the last meeting these are outlined in the following sections of the report.

5. Treatment of Temporary Promotions – 2015 Scheme

- 5.1 In February 2016 it was identified that temporary promotions were erroneously treated by payroll as pensionable under the 2015 scheme. This means that pensions contributions have been deducted where they should not have been and work is required to refund these and ensure the correct application of the rules of the 2015 scheme. Corrections for whole time staff were undertaken in the March 2016 payroll and a communication has been published providing a help line for employees with queries about this matter. The calculations and system issues for RDS staff are more complex, but the numbers involved are far fewer and will be adjusted in the new financial year.

6. FPS Briefing Session to Members

- 6.1 It has been confirmed that the first year of the care benefit statements for FPS members are due to be published by 31 August 2016. Accordingly, briefing sessions for FPS Members have been arranged as follows:

- 14 September 2016 – Eastleigh
- 22 September 2016 – Southsea
- 6 October 2016 – Rushmoor

Arrangements will be made to publish these dates in the Summer.

- 6.2 It is also worth informing pension board members that briefing sessions for senior managers across Fire, Police and Hampshire County Council 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.
- 6.3 The sessions were arranged, mainly as a result of changes to the Annual Allowance position, the reduction in the Life Time Allowance from £1.25m to £1m that comes into force in April 2016 and also to potentially pick up on any changes announced in the Budget on March 16th, although there was nothing significant beyond what had already been announced.
- 6.4 The sessions were well attended, but highlighted again (across the sector) the lack of professional advice that is available, both in respect of public sector pension schemes themselves and how tax affects them.

7. Communication to Members – Re-employment Policy

- 7.1 All Fire and Rescue Authorities should have a re-employment policy in place and ensure that the policy conditions are met on re-employment of an officer who has retired under the age of 55, including those who have a concurrent retained employment. The effect of the determination is that Pension Boards and Scheme Managers should ensure that information on important tax changes is provided to employees who are or may be affected by them. This is not just in relation to protected pension ages, but with regards possible tax charges that may be applied on exceeding annual allowance or lifetime allowances. Work is in-hand to identify how best to ensure communication of this information, potential linked to HFRS leaver actions and information.

7.2 In line with the wider responsibilities outlined in the determination, HFRS has provided information to all staff on tax and NI changes that are due to come into force in April 2016 and as mentioned in Section 6 have undertaken briefings to senior managers in respect of annual and life time allowance tax issues.

8. Update on Actions arising from January 2015 Board Meeting

8.1 Following the previous Board meeting, the Head of Finance wrote to Clair Alcock at the LGA about a number of issues. A further conversation was held with Clair about the email and a summary of the answers to each of the queries is contained in Appendix 2.

8.2 A briefing session for Pension Board Members regarding the 2015 FPS and on-line training materials will take place on the same day as the next Board meeting.

8.3 Following discussion at the January meeting a report has been made to the pension regulator regarding the failure to implement the change in regulations which required pensionable temporary promotions to be treated as an Additional Pension Benefit rather than normal pensionable service.

8.4 Finance and General Purposes Committee has now made the decision that Temporary promotions since 2013 should be pensionable and as such will be subject to an Additional Pension Benefit (APB) rather than contributing to defined benefits under the final salary scheme.

8.5 Initial data has been extracted that shows a total of 207 individuals are affected by this issue, which will require separate validation and a formal project plan has been submitted to The Pension Regulator following a request from them. The Head of Finance was also asked to investigate the position of a firefighter who was previously on a temporary promotion that should have been subject to an APB, but has subsequently retired on the basis that the temporary promotion has contributed to his final salary based pension benefits. The initial data indicates there may be 6 individuals in this position.

8.6 The response received was that we would need to look at the individual impact for each firefighter in undoing this position and consider whether or not the amount was material. Where it was considered material, the time and cost involved in undoing the position would need to be weighed against the potential for a challenge that is likely either to be found in their favour or go through to the Pension Ombudsman who may find in favour of the firefighter, bearing in mind that the ultimate financial impact will be a cost to the national scheme.

9 Conclusion

9.1 The management and administration of Firefighters pensions continues to be complex and drawing significant capacity from corporate shared services. With the addition of further national developments and to ensure necessary progress is maintained additional resource has been put into place to support the management of Fire Pension matters. This resource is currently located within the Finance and Human Resources Shared Services Teams.

Pensions Issues Log

| Issue Number | Pension Group | Pension issue | Description / Impact | Progress | Project Manager (use drop down) | Target Completion Date | Status |
|--------------|---------------|--|--|--|---------------------------------|------------------------|--------|
| 5 | HFRS | Impact on pension tax liability of temporary promotions | Assessment of alternatives methods (Additional Pension Benefits (APB)) to limit or remove tax liability when moving into temporary promotions. Regulations changed in July 2015 – policy development required. | Initial work with Kent and wider on Additional Pension Benefits and ways of mitigating the impact. New 2015 scheme has made temporary promotion pay non pensionable, so has reduced the potential number of cases going forward. January 2016 HFRS failed to make a decision about the pension status of temporary promotions back in July 2013. Major piece of work now required to unwind temporary promotions since that point. Impact of temporary promotions on tax liability will be reduced as a result of this work, so some positive outcome. Develop discretionary powers policy Report to F&GP Committee in January 2016 including decision making on temporary promotions and pension position. April 2016 - On 3 February 2016 HFRA Finance and General Purposes Committee agreed that any temporary promotions that existed on or had been granted from 1 July 2013 will be treated as pensionable Additional Pension Benefits (APBs) up until 1 April 2015 when the new scheme provisions apply and temporary promotions are non-pensionable. Implementation of this is a detailed piece of work and is expected to take at least 6 months to complete. A communication has sent to inform staff of this decision and the implications. Initial data suggests 207 individuals are affected, a project plan has been prepared and sent to TPR. | Rob Carr | 30 November 2016 | AMBER |
| 1 | HFRS | RDS Less Favourable Treatment – purchase of retrospective membership | RDS members given option to purchase retrospective membership of a modified pension scheme. The past service employer costs will be reflected in increases in future employer contribution rates. | 937 members identified and written to. 276 individuals requested individual cost information which was provide in June 2015 with an options form to return by 1 Sept 2015 if they want to proceed. Calculating final backdated lump sum costs for individuals who returned their forms and writing to individuals to confirm details and explain the process. Making arrangements to collect monthly pension contributions from current staff from the date that they returned their Option form. January 2016 Process has stalled to a certain extent as project manager was required to undertake testing for new system, have asked Claire Neale to step in and provide support to get this finished. April 2016 Claire has been progressing this work further and has identified some issues with the initial calculations that are now being corrected. Once final figures have been received the necessary financial changes will be put in place. | Gemma Tapley | 31 July 2016 | AMBER |
| 7 | HFRS | Re-engagement Policy | Review of re-engagement policy | Report to be provided to Finance and General Purposes Committee – recommendation to end process of review of re-engagement policy. January 2016 Will be included in report to F&GP in May 2016 about a range of policy and process issues. | Sandy Gregory | 31 May 2016 | AMBER |
| 8 | HFRS | HFRS Discretionary Powers Policy | Review and revision of HFRS discretionary powers required in light of the following issues: Regulation [18(1d)] provides for CPD payments to be pensionable on the determination of the employer. NJC collective agreement as per NJC circular 03/07 appendix A http://www.local.gov.uk/c/document_library/get_file?uuid=3cbb554c-6964-49b3-a254-6116ff09cb03&groupId=10180 The need to establish process for independent review of individual member's medical circumstances following IHR to ensure that the level of ill health pension awarded is still appropriate. The need to establish injury allowance policy for HFRS confirming whether or not the Authority provides an injury allowance for employees in accordance with the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011. | Work underway to identify appropriate recommendations for amendment to HFRS Discretionary Powers Policy. January 2016 Report and recommendations to go to Finance and General Purposes Committee in May 2016 | Sandy Gregory | 31 May 2016 | AMBER |

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| 17 | HFRS | Communication to members | All FRAs should have a re-employment policy in place and ensure that the re-employment conditions are met on re-employment of an officer who has retired under the age of 55, including those who have a concurrent retained employment. | <p>New - April 2016</p> <p>The effect of the determination is that Pension Boards and Scheme Managers should ensure that information on important tax changes is provided to employees who are or may be affected by them. This is not just in relation to protected pension ages, but with regards possible tax charges that may be applied on exceeding annual allowance or lifetime allowances. Work is in-hand to identify how best to communicate this to members, potentially linked to HFRS Leaver actions and notifications.</p> | Jonathan Hurford-Potter | | AMBER |
| 3 | HFRS | Employment tribunal claims regarding transitional protections | Fire Brigades Union have started the process of a legal challenge on the transitional protections in the 2015 pension scheme regulations, in respect of potential discrimination. | <p>Received letter from Walker Solicitors 13 July. Response provided confirming the LGA will act on behalf of HFRA.</p> <p>Information regarding membership returned to Bevan Brittan.</p> <p>2 ET cases received for HFRS and logged with Bevan Brittan for collective response with other FRAs.</p> <p>January 2016</p> <p>Some national issues about the way in which the ET cases are going to be dealt with, which seems to have now settled down. Data return provided to Bevan Brittan for HFRS.</p> <p>April 2016</p> <p>We have been asked to answer a number of questions in response to the ET but these are mostly factual responses in respect of the implementation of the relevant legislation at the time.</p> | Rob Carr | | GREEN |
| 4 | HFRS | Change to pensionable status of training allowance and Additional Responsibility Allowances (ARAs). | <p>Assessment and implementation of allowances becoming pensionable (Related to Norman case).</p> <p>Provision allowed for in accounts.</p> | <p>Identified 27 staff receiving 10% training allowance.</p> <p>Significant numbers receiving ARA's e.g. instructors, co-responders.</p> <p>Advice sought from national pension lead on the eligibility and legal requirements of these prior to taking further action.</p> <p>January 2016</p> <p>Awaiting further national guidance.</p> <p>(Geoff Howsego and Claire Allcock supporting)</p> | Sandy Gregory | | GREEN |
| 6 | HFRS | GMP Reconciliation exercise | <p>April 2016 – State pension provision moving from two tiers to single tier.</p> <p>All schemes will need to do a GMP reconciliation – not a legal requirement (no secondary legislation issued yet) but an 'expectation' from Pensions Regulator and HMRC.</p> | <p>Initial returns made to DCLG</p> <p>Essentially an employer responsibility, but Pension Services will be taking the lead.</p> <p>January 2016</p> <p>HMRC data has been received by Pension Services and initial queries raised with them in terms of variances in the data. Most of these have been resolved, but some secondary queries are being followed up.</p> <p>April 2016</p> <p>GMP reconciliation forms two parts. The first part is to do a population match to ensure that the right period of Contracted Out employment are held with both Hampshire Fire Pensions (under the correct SCON) and with HMRC. The second part is based on the matching records, to check that the amount of GMP liability held matches or is within tolerance.</p> <p>The population matching has been completed for Fire Pension Schemes.</p> <ul style="list-style-type: none"> 424 records were individually checked as no match was found to or from the HMRC data 198 queries were raised with HMRC 35 of these are still outstanding with HMRC and we are waiting for replies to these. <p>The GMP amount reconciliation is in progress</p> <ul style="list-style-type: none"> 141 records were individually checked where the amounts did not match Overall there are potentially 53 cases that may need to have a recalculation of benefits in payment due to GMP not being applied, or applied incorrectly. Some of these cannot be completed as correct GMP data is needed from HMRC, others have been flagged as possible recalculations, but may in fact not be so when looked at in more detail. It is not possible to give any estimates of the amounts involved regarding under or over payments at this time. | Nick Weaver | | GREEN |
| 9 | HFRS | Contributions for those who joined aged 18-20 with over 30 years service | <p>Government decision announced details concerning contributions for firefighters who joined the Service between the ages 18 - 20 and who reach 30 years' service before they reach the age of 50</p> <p>Some Firefighters who joined the Service before the age of 20 and have served for over 30 years may be entitled to a 'contributions holiday' in respect of their pensions</p> | <p>New - January 2016</p> <p>The DCLG are currently working on these changes and how they can be effectively implemented.</p> <p>Staff communication sent December 2015, but once more is known this will require a further significant project to understand the financial implications due to the backdating to 1 December 2006.</p> <p>Regulations will now need to be drafted, consulted upon and laid, all of which will take some time to do. Philip Perry from DCLG, confirmed that the timescale is likely to be months rather than weeks</p> <p>Email from Clair Alcock dtd 1 March 2016. refers.</p> | Rob Carr | | GREEN |

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| 10 | HFRS | Communications to non-members | Target communications to non-members of the pension scheme as part of a wider communication strategy including | <p>New - January 2016 Request sent to LGA for national co-ordination of communications promoting membership and general communication issues. Legal advice sought regarding writing to those who have opted out to understand their reasons for doing so. Initial advice is that the Pension Board does not have the powers to do this although they could recommend that F&GP as scheme manager could do it. An alternative approach would be to consider more general communications that requests members who have or are thinking of opting out to provide information as to why, but this is not targeted and is likely to be less effective.</p> <p>April 2016 Consider as part of a wider communications strategy at next meeting, which Clair Alcock may attend</p> | Rob Carr | | GREEN |
| 18 | HFRS | FPS Briefing Sessions to Members | Requirement to arrange 3 FPS Briefing sessions in September/October 2016. | Briefing session arranged on 14th Sept. 2016 at Eastleigh. Proposal to hold separate sessions at Southsea (22nd Sept. 16) and Rushmoor (6th Oct. 2016) fire stations. | Jonathan Hurford-Potter | 30 March 2016 | GREEN |
| 16 | HFRS | Treatment of Temporary Promotions | Temporary promotions were erroneously treated as pensionable under the 2015 scheme. Work is required to "unpick" the incorrect application of the rules, in particular relating to members who have since left employment. | Work has been undertaken to identify and verify all of the temporary promotions affected by this error and plans are in place to correct this in March payroll. April 2016 Errors were corrected for Whole Time staff only, further work required to sort out the reimbursement of RDS staff | Sandy Gregory | 31 May 2016 | GREEN |
| 2 | HFRS | Ombudsman Decision – Milne v GAD | Part-Time Workers (Prevention of Less Favourable Treatment) ET cases - final phase HMT now confirmed that they will reimburse FRA's for compensation payments Government expectation that this will be completed by 31 December 2015 | Information returned to LGA 28 July 2015 to enable estimate of potential costs Calculation data received from DCLG, Claire Neale in Pension Services appointed as project manager. Payments made in December 2015, only remaining work is liaison with DCLG on figures and recovery of costs. | Claire Neale | | COMPLETE |
| 11 | HFRS | Re-engagement | Commitment made to small group of officers to provide recompense in event they received additional tax demands related to being re-engaged by HFRS. | Letters sent. Provision for this removed from accounts following repeated no response from HMRC | | | COMPLETE |
| 12 | HFRS | USAR 20% allowance - change to pensionable status. | Implement change to pensionable status backdated to 1/7/13. Cost of £12,500 | Letters sent and retrospective changes implemented. | | | COMPLETE |
| 13 | HFRS | New 2015 Pension Scheme. | Provision of information and roadshows to inform members of the new scheme requirements. | Information available through intranet and roadshows delivered at HQ, Basingstoke and Isle of Wight. | | | COMPLETE |
| 14 | HFRS | Registration of FPS for HFRA | New governance and administration requirements came into force in April and managers of new public service pension schemes must provide information to the pensions regulator to secure registration of the scheme with HM Revenue and Customs | Registration now overdue. Reminder received from pensions regulator 10 August 2015 requesting registration be completed. Form submitted on 14 September 2015 | | | COMPLETE |
| 15 | HFRS | Change in pension contributions in April 15. | Implement revised deductions through payroll effective from 1.4.15. | Delayed due to late notification and technical issues. Subsequently implemented in June 2015 payroll. Some staff in the wrong scheme and with a pay impact as they will not have been tapered from June 2015. 10 staff required adjustment. Remedied in September payroll. Letters sent to all members confirming the arrangements for tapering/protection September 2015. | | | COMPLETE |
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Issues Raised with Clair Alcock at the LGA

National and Regional Boards

It would be useful to get an update from you on where we are on the various national and regional Boards / networks that were mentioned at the training that many of us attended. We heeded your wise words that we don't want to be replicating work across the Country and that we should aim for using national resources for things such as communication (see below). My Board were asking about this last time as we are keen to get going on some things but don't want to be duplicating work that could be better done at a national or regional level.

Answer : The Scheme Advisory Board (SAB) has taken longer than expected to create and the membership is now in place. The work of the SAB is still developing and is obviously focussed on national issues and seeking some technical issues to some of the bigger problems, but no doubt we will be able to get a comprehensive update at the next meeting.

There is no facility to have regional boards but the aim was to use existing networks which often centre around technical issues to ensure that there is a more co-ordinated approach to some of the work of pension boards across the region. A review of some of the regional groups may be beneficial as there is often confusion as to whether these are administrator or employer based (or both).

Communications Strategy

The Board has noted that we do tend to be slightly further ahead of the game than some Pension Boards and are keen to start communicating with Members, but as mentioned above we did not want to do this alone and want to put together a communications strategy that dovetails with national and regional activity.

On a related note, Board members made reference to a video that had been put together in Scotland, which I think succinctly put forward the virtues of being in the FF pension scheme and its features and wondered if the LGA might be able to do something similar for England. I assume you will be aware of what was done (I haven't seen it myself) but if you need any more information, please come back to me.

Answer : Communication at a national level is clearly one of the issues that is near the top of the list for the SAB and it may be useful to invite Clair to the next meeting of the Board to discuss communication as a topic and how the SAB and local Pension Boards can better work together.

The LGA are aware of the video that was produced in Scotland, but at the end of the day do not have the capacity and resources to produce something similar at this stage. This might be something that needs to be explored in terms of the resources that are available nationally at the LGA to support the SAB, Fire Authorities and Pension Boards.

Pensions Advice to Firefighters

At the session I attended, you may recall that I asked a question about personal pensions advice for Firefighters and the fact that there seems to be a big gap in this area for individuals seeking specific advice. Is anything happening on this nationally or alternatively are you aware of any local providers (or any at all) that specialise in the Firefighters pension scheme?

This is an issue that keeps coming up and one that needs to be addressed and whilst I have said in the past that the FBU should perhaps be looking at something, the Board made the point to me that not everyone is in the Union.

Answer : This is a problem, but with no easy solution. Neither the LGA or FBU want to be seen to be publicly endorsing any advice service and in reality, there are very few financial advisors (if any) that specialise in the Fire Fighter's Pension Scheme and all of those people that do have a good understanding of the scheme work in the public sector and are not allowed to provide advice.

Would suggest that this is a high priority for the SAB to address, but at this moment in time there is no solution. Clearly increased communication and fact giving to Fire Fighter's (along the lines of our planned sessions following the issue of Annual Benefit Statements) will help matters but not where an individual Fire Fighter needs advice on their particular circumstances.