



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

Purpose: Noted

Meeting: **HIWFRA Firefighters' Pension Board**

Date: **15 APRIL 2021**

Title: **LEGISLATION AND LOCAL GOVERNMENT ASSOCIATION (LGA)
UPDATE REPORT**

Report of Chief Financial Officer

SUMMARY

1. This report, together with attachments, provides the framework for the agenda item.

FPS BULLETINS

2. LGA issue a bulletin at the end of each month; there have been two bulletins issued since the last Fire Pension Board report. The bulletins are emailed out to a variety of contacts but can also be accessed via the www.fpsregs.org website.
3. Bulletins 41 and 42 can be found in APPENDICES A and B. There is a lot of information contained within these bulletins; the key items are set out below.

TPR SIX KEY PROCESSES FACTSHEET (BULLETIN 41)

4. TPR measures six key processes as key indicators of public service pension scheme performance. The six processes are:
 - (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 to 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 law
5. The factsheet showing a summary from the 2019 Governance and administration survey has been issued which reflects the position for all FRAs; and while some FRAs do not have all of these processes in place, it's reassuring that HIWFRA is in a good position with all six processes in place. The factsheet can be found in APPENDIX C.

PUBLIC SERVICE PENSION INDEXATION AND REVALUATION 2021 (BULLETIN 41)

6. On 12 January 2021 HMT issued a written statement confirming the Public Service Pension indexation and Revaluation for 2021. The statement can be found in APPENDIX D.
7. Public Service pensions will be increased in line with the annual increase in the Consumer Prices Index (CPI) up to September 2020. The increase from 12 April 2021 is therefore set at 0.5%.
8. The 2015 Fire Pension Scheme will use the figure of 2.4% as set out in the statement for the earnings element of the revaluation for active members to be applied at one second after midnight on 31 March 2021.
9. Hampshire Pension Services have annual processes in place to ensure that the relevant increases are applied to all active, deferred and pensioner fire records.

VALUATION (BULLETIN 42)

10. When the Government published their response to the age discrimination public services pension scheme consultation, HMT also announced the position on both the paused 2016 cost cap and the 2020 valuation.
11. The pause on the 2016 cost cap valuation has now been lifted and the Government Actuary's Department is proceeding with finalising the valuations based on the Deferred Choice Underpin (DCU) approach to removing discrimination. The Government has confirmed that by taking DCU into account, the Fire Pension Scheme would now likely breach the ceiling cost cap by more than 2%, rather than the previous estimate of breaching the floor cost cap by more than 2%.
12. If normal statutory procedures were followed, any ceiling breaches would lead to a reduction in member benefits to bring costs back to target. However, the Government have announced that it would be inappropriate to reduce member benefits at this time and the effect of any ceiling breaches on the 2016

valuation would be waived; conversely if any floor breaches are found, they will be honoured.

13. The Government has also confirmed that due to interactions with wider pension policies, in particular the McCloud remedy, completion of the 2016 valuation and the review of the cost cap control mechanism, any changes to the employer contribution rates resulting from the 2020 valuations will be delayed from April 2023 to April 2024.

SCHEDULE 22 APPEAL JUDGEMENT (BULLETIN 42)

14. On 12 February, the Employment Appeal Tribunal (EAT) gave its judgment on the FRAs appeal based on Schedule 22 of the Equality Act 2010. This appeal was based on the argument that the FRAs did not make the legislation which was found by the Court of Appeal to be discriminatory on grounds of age but were bound to follow it because it was the law. The EAT held that the FRAs cannot rely on the Schedule 22 defence.
15. This essentially means that FRAs have the power to be able to apply Immediate Detriment remedy to all upcoming retirements and not just to those that were claimants of the original case. HIWFRA have processes in place to determine which cases can have Immediate Detriment applied to their upcoming retirements, this is covered in more detail in the Pension Board status report.

DRAFT REMEDY DATA COLLECTION GUIDANCE (BULLETIN 42)

16. In order to credit members with their original legacy scheme membership for the remedy period, administrators will need additional data from FRAs to rebuild the final salary record. For example, an unprotected member who transitioned to the 2015 Fire Pension Scheme from the 1992 Fire Pension Scheme on 1 April 2015 and remains in employment will need a final salary record creating for the full seven years from 1 April 2015 to 31 March 2022.
17. To assist administrators and FRAs with the process of collecting data and ensure consistency where possible, LGA intend to provide a template of data items that will be required. They are currently working with the software companies to agree the required data fields and formats.
18. In the meantime, they have written a supporting document in conjunction with the Fire Communications Working Group to allow parties to identify where additional data will be required and what processes might need to be put in place to collate it. This guidance document can be found in APPENDIX E.

HMT CONSULT ON IMPLEMENTATION OF INCREASED MINIMUM PENSION AGE (BULLETIN 42)

19. The normal minimum pension age (NMPA) is the minimum age at which most pension savers can access their pensions without incurring an unauthorised payments tax charge (unless they are taking their pension due to ill-health). It is currently age 55.
20. On 11 February 2021, HMT published a consultation on implementing an increase to the NMPA from age 55 to 57 on 6 April 2028. The consultation confirms that the increase will not apply to those who are members of the Fire Pension Schemes.

RECOMMENDATION

21. That the content of the report be noted by the HIWFRA Firefighters' Pension Board

APPENDICES ATTACHED

22. APPENDIX A - FPS Bulletin 41 – January 2021
23. APPENDIX B - FPS Bulletin 42 – February 2021
24. APPENDIX C – TPR six key processes factsheet
25. APPENDIX D – HMT written statement HLWS699
26. APPENDIX E – Remedy data collection guidance

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