

HFRA Hampshire Firefighters' Pension Board

Purpose: Decision



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Date **14 NOVEMBER 2017**

Title **FIRE PENSION BOARD STATUS REPORT**

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.

TRANSITIONAL AUTO ENROLMENT

3. Transitional deferment with regard to auto enrolment was applied to 91 operational HFRA staff. This period of transitional deferment ended on 30 September 2017.
4. Employees that are an eligible jobholder, and have no record of a previous opt out date were auto-enrolled in the scheme on 1 October 2017.
5. The LGA are seeking clarification over what happens if a transitional employee is not an eligible jobholder on 1 October 2017, but becomes one at a later date. This is because the Pension Regulator guidance states that membership would have to be backdated to 1 October 2017 regardless of the date they become eligible.
6. To give you an example, the transitional employee is not an eligible jobholder on 1 October 2017, but becomes one on 1 December 2018. Pension contributions taken in December 2018 would therefore be backdated to 1 October 2017, meaning that 14 months arrears (1 October 2017 to 30 November 2017) would be taken along with the current month.

NEW RECRUIT / TRANSFEREE

7. Where a new recruit to HFRA transfers from another FRA, they are entitled to retain membership of their existing pension scheme where service is continuous.

8. As part of the recruitment process a membership option form is required to be completed to enable
 - The IBC Pensions Administration Team to identify which scheme the member should be a part of, deduct the correct level of contributions and calculate the correct taper date where applicable
 - To enable Pensions Services to apply to the previous FRA for details of service and pension benefits.
9. The IBC Recruitment team were making changes to their processes so that new recruits would be asked to fill in an achieve form version of the membership option form. The submitted form would then automatically be sent to a mailbox that the IBC Pensions Administration team manage.
10. Unfortunately, this process was only put in place for recruitment of Police Officers and Fire was outside the scope of this project. However, IBC recruitment has now agreed that they will incorporate the paper version of the form into their processes.

SUPREME COURT JUDGEMENTS

11. There have been two judgements regarding partner pensions recently.
12. Early in 2017 a judgement was handed down in respect of the requirement for nomination for a survivor's pension to be made in the case of Brewster v NILGOSC.
13. This case was where a nomination form had not been completed for a co-habiting partner.
14. Due to different legislation for each of the schemes, the issue only affects the 2006 scheme for which the majority of the membership transferred to the 2015 scheme under the reforms. Therefore the potentially affected cohort is very small.
15. The approach that is recommended is that as and when a case is known, then legal advice may need to be sought until such time as amended legislation is brought into force. The Board are asked to support this recommendation.
16. In July 2017 the Supreme Court handed down a judgement in respect of benefits payable to a Civil Partner in the case of Walker v Innospec.
17. This case was where benefits payable to surviving spouses / partners differ depending on whether their relationship with the originating member was a civil partnership, same sex marriage or opposite sex marriage.

18. Again, the potentially affected cohort is believed to be relatively small and any impact minimised as the Fire Pension Schemes already base benefits on service from 6 April 1988 in such cases, where as Innospec only based benefits on service from December 2005.
19. Following this judgement, LGA understands that Government lawyers are considering the possible impacts the ruling will have on survivor pension rights offered by public service pension schemes, including the Fire Pension Schemes.

GENERAL DATA PROTECTION REGULATION (GDPR)

20. From 25 May 2018 the EU General Data Protection Regulation (GDPR) introduces new legislation governing the collection, use and processing of personal data.
21. While many of the provisions remain the same as the existing Data Protection Act, some new elements and significant enhancements will impose new responsibilities on schemes by granting a number of additional rights to data subjects.
22. Pensions Services have started working on a plan to determine what this means for them. In addition, the Chief Finance Officer has also contacted the Head of Risk and Information Governance as this will impact the whole of the County Council, and its partners.
23. More information can be found in APPENDIX A. It should be noted that although this has been written for LGPS administering authorities the same regulations will apply to the Fire Pension Schemes and the administrator.

OPT OUTS

24. Details of the historical opt out information between 2013/14 and the current year can be found in APPENDIX B.

PENSION ACCOUNTABILITIES

25. Work has been undertaken to define the boundaries of the pension accountabilities across different departments. There are three main areas
 - Pensions Services
 - IBC Pensions Administration Team
 - HR
26. Pensions Services are responsible for issuing Annual Benefit Statements, providing estimates and calculating retirement benefits, along with dealing with complex enquiries.

27. IBC Pensions Administration Team is effectively the payroll provider for HFRA. They provide the pension information, relating to pay and service to Pensions Services for new starters, leavers and retirements. They deal with those wanting to opt in or opt out of the scheme.
28. HR provides advice on pension policy and deal with any ill health retirements. They will provide instruction to the IBC Pensions Administration Team.
29. In July 2017, HR held two sessions for all HR staff on pensions. The introduction by Rob Carr covered the difference in the teams and started to address the issue of who does what for HR staff.

ANNUAL BENEFIT STATEMENTS

30. The statutory deadline for issuing Annual Benefit Statements (ABS) is 31 August each year.
31. The Board will remember that for 2016, this deadline was not met and this subsequently resulted in a breach of law which was reported to the Pension Regulator. The outcome of which was that no further action would be taken as long as there was no repeat.
32. ABS' for members of the Fire Pension Schemes are posted to their home address as there is currently no pension member self service available. Although this is actively being considered at the present time by Pensions Services.
33. As the current home address for each member is held by the employer's payroll provider rather than Pensions Services, some communications were put out a few weeks before the issue of the ABS' to encourage individuals to check and update their home address within Employee Self Service (ESS).
34. The Board will be pleased to hear that the 31 August 2017 deadline was met and that ABS' were issued to home addresses provided by the employer's payroll provider, the IBC Pensions Administration Team.
35. There have only been a small number of queries about ABS' and most of these have been regarding pay, rather than the content of the ABS. It is not known if this is a positive sign or not. For example: -
 - Members do understand their ABS
 - Members have not looked at their ABS or
 - Members do not understand their ABS but have not raised a query
36. The Pension Board may wish to consider whether any additional communication is required to improve ABS statement awareness and whether any amendments to statements would be pertinent for next year to provide extra clarity or explanation.

ANNUAL ALLOWANCE / LIFETIME ALLOWANCE

37. The statutory deadline to provide Pension Savings Statements is 6 October each year.
38. Pension Savings are calculated by assessing the difference in the value of the pension at the start of the Pension Input Period (PIP) and at the end of the PIP. The PIP runs from 6 April to 5 April.
39. This difference is called the Pension Input Amount (PIA) and the value of these Pension Savings, must not exceed the Annual Allowance (AA) limit for the year.
40. A Pension Savings Statement is automatically sent to a member where they have exceeded the Annual Allowance in the year, but can be sent to any member upon request.
41. This letter will inform the member if they have unused allowances from the previous three years that are available to offset any excess. It will also inform them if there is an excess which is taxable.
42. The letter that was issued for 2016/17 can be found in APPENDIX C. This is a complex area and the Board are invited to consider whether this communication could be improved. Although after feedback that Pension Services have received, they are already looking to improve the content of this letter.
43. Given the complexity, the Chief Finance Officer is proposing to hold seminars for those that might be affected by the AA issue and the Board are invited to support this proposal.

PENSION BOARD TRAINING

44. Pension Board members have been invited to attend a tax seminar run by the LGA. Dates and booking instructions have been sent out by email.
45. The last training needs analysis (TNA) were completed in December 2016. Some training was delivered after the Fire Pension Board meetings in both February and July 2017.
46. Pension Board members will therefore be asked to complete a new TNA so that the improvement in knowledge and understanding can be recorded. The results will be collated and included with the Pension Board report in February 2018.

ALLOWANCES

47. A review of allowances is underway. This work is much wider than Pensions, but the aspects mentioned in this report are items that have pension elements. There are various pension strands to this work
 - Those receiving a 10% allowance which is not for training
 - USAR 20% allowance and it's potential change to a 10% allowance (which may or may not be pensionable)
 - A review of the policy handbook including definitions and criteria
 - A review of the governance around awarding an allowance
 - A review of governance when the allowance no longer applies
48. Two workshops are being held on 3 November in order to baseline the allowances issues and start to formulate a robust set of rules and conditions. Area Managers, HR, Finance and other parties have been invited to these workshops.
49. This review is still in the early stages but is due to be completed by April 2018. Further updates will be provided to the Board at the next meeting.
50. Since commencing this review of the allowances, a number of issues have come to light that perhaps give cause to question whether earlier decisions with regard to making Temporary Promotions (TP) pensionable were correct and in the best interest of the membership.
51. There was a legislation amendment that took effect from 1 July 2013 that allowed HFRA to make a decision that temporary allowances (including TP) would be pensionable. This decision was made believing that it was the right thing to do for the firefighter.
52. With effect from 1 July 2013, where an allowance is temporary and pensionable then the firefighter receives an Additional Pension Benefit (APB) in respect of the additional payments. This is an amount that is added to the Annual Pension.
53. However, the APB may not be as beneficial to the member as was initially thought as the amount of APB the member receives is very small when compared to the high level of pension contributions that are paid. In addition to this, the impact of this decision has been far more complex to administer than could have been anticipated.
 - The payroll system is not configured in the most effective way to handle the different variations of schemes and temporary allowances
 - Information has to be extracted from the payroll system for purposes of estimates, leavers, retirements and End of Year data to Pensions Services

- Information has to be captured by Pensions Services and records updated accordingly
 - There is huge complexity around ensuring that when a member receives a temporary allowance, that they are given the correct pension benefit in return
54. The illustrations in APPENDIX D and APPENDIX E show the monetary value that is returned to the firefighter by way of an APB. The Board are invited to discuss their thoughts on this matter.

ILL HEALTH AND INJURY PENSION REVIEWS

55. At the Fire Employer group meetings the issue of ill health pension reviews and injury pension reviews has been discussed.
56. Reviews of ill health pensions are not mandatory, but reviews of injury pensions are required. It would appear that HFRA have never carried out any reviews of pensions.
57. HFRA have a policy in place stating that ill health pensions will be reviewed in the 4th and 8th year of receipt and that injury awards will be reviewed in the 3rd and 5th year of receipt.
58. As an injury award is unlikely to be given without an ill health pension, this means that for a member that has an injury award, the injury award would be assessed in year 3, the ill health pension would be assessed in year 4, the injury award would be assessed again in year 5 and the ill health pension would be reassessed in year 8.
- The review of the injury award would be to determine if the degree of disablement should be increased, decreased or remain the same
 - The review of the ill health pension would be to determine if the ill health pension should continue and that would depend on general health and ability to work
59. HR Shared Services is responsible for managing both these types of reviews and notifying Pensions Services of any amendments affecting the award of benefits.
60. Details of those currently in receipt of Ill Health and Injury Pensions have been provided by Pensions Services and analysis of the numbers involved can be found in APPENDIX F.
61. There are a small number of cases where the ill health pension and the injury pension award are due to be reviewed over the next four years.

62. When an injury pension is awarded, before Pensions Services commence payment, they will ask the member to confirm what, if any, DWP benefits they are receiving in respect of the injury. Any amount of DWP benefits will be deducted from the injury pension.
63. In addition to the review of these cases, there also needs to be a regular exercise to obtain details of DWP benefits that are in payment to assess the amount of the injury pension that can be paid to the member. There are currently 90 injury pensions that are in payment.
64. No further assessment of the amount in payment currently falls under the responsibility of Pensions Services and this is not reviewed unless the member contacts Pensions Services with revised details.

LGA FIRE PENSION CONFERENCE

65. Both the Employer Pension Manager and the Finance Transformation Manager attended the LGA Fire Pension Conference in London on 9 and 10 October 2017. The Employer Pension Manager also attended the Fire Pensions Technical Group meeting on 9 October as a representative from the South East Fire Pensions Officer Group.
66. The first day of the conference had 4 main themes
 - Governance
 - Risk
 - Internal controls
 - Member communications
67. There were presentations from The Pensions Regulator, the chair of the Local Pension Boards Effectiveness Committee, the LGA Pensions Secretary and a Senior Adjudicator from the Pensions Ombudsman's office.
68. The second day saw a presentation from The Home Office and the Government Actuary's Department covering the valuation data at 31 March 2016. The cost cap for the scheme is set at 16.8% of pensionable pay, with a 2% tolerance. This presentation highlighted the fact that the scheme is very close to this. The Board may wish to note that any decisions around pensionable allowances and Temporary Promotions will have an effect on the cost cap.
69. The results of the valuation are expected in spring 2018.
70. There were also presentations from Eversheds Sutherland with a case law update, The Pensions Regulator regarding data and GDPR. There was a presentation from LGA about the ending of Contracting Out and the Guaranteed Minimum Pension (GMP) reconciliation.

71. There were also updates on both days from Clair Alcock LGA and Malcolm Eastwood in his capacity as chair of the Scheme Advisory Board (SAB). One exciting new development is the launch of the SAB website: www.fpsboard.org.
72. It was a very informative conference with really good speakers, presentations, delegate interaction and networking. Board members are encouraged to consider attendance at the 2018 conference.

EMPLOYER PENSION WEB PAGES

73. At the Pension Board meeting in July, the new employer pension pages were launched and following positive feedback they went live on 16 August 2017.
74. The launch was publicised in communications on Yammer and Routine Notice.
75. Despite communicating the launch, the message about the available resources for fire-fighters does not appear to have hit the wider community.
76. Details of the “hits” on the new employer web pages between 1 August and 18 October can be seen in APPENDIX H.
77. The Pension Board may wish to consider obtaining some feedback on the new employer web pages and on pensions in general and whether sending out a survey may be useful.

PRESENTATION FROM LOCAL PENSION PARTNERSHIP (LPP)

78. George Graham, LPP’s Managing Director of the Administration Business visited on 29 September 2017 to present to the Board the LPP pension administrator business model.
79. Those that attended found that the presentation was disappointing both in the delivery and content. However, whilst the presentation did not offer anything new in the way of Pensions Administration, it did provide a framework for the Pension Board members to start to think about how things could be improved.
80. Engagement and communication were two key themes that came out of the meeting and are areas that can be focused on going forward.

PENSION PRESENTATIONS

81. The Employer Pension Manager held the first Fire Pension Schemes pre retirement presentation in July 2017.

82. The presentation included all four schemes, covering how the schemes worked, how benefits are calculated with actual examples, Life Time and Annual Allowances, HMRC maximum benefits, as well as things like the retirement process, and what happens after retirement. This was extremely well received and there were plenty of questions that were asked.
83. All attendees were provided with an individual estimate of their retirement benefits which was distributed after the presentation concluded. The Employer Pension Manager spent additional time after the session speaking to each person about their personal circumstances.
84. The next pre-retirement pension presentation is scheduled on 15 November 2017.
85. The Employer Pension Manager will be attending Gosport Fire Station on 23 November 2017 to give a pension presentation and to hold a Q&A session. There is also another session at Redbridge Fire Station planned for 6 December 2017.

ENGAGEMENT AND COMMUNICATION

86. In the communication that launched the new employer fire pension web pages, reference was made about the available resources that firefighters have access to. The communication that went into routine notice is included in APPENDIX G.
87. The Pension Board should now consider what approach they want to take with regard to engaging individuals and how information about pensions could be more effectively communicated, utilising the resources that are available

RECOMMENDATION

88. That the approach to co-habiting partners, as set out in paragraphs 12-15 be approved by the Hampshire Fire Firefighters' Pension Board

APPENDICES ATTACHED

89. APPENDIX A – GDPR – Actions for administering Authorities
90. APPENDIX B – Opt Out historical data summary
91. APPENDIX C – Blank template letter for Annual Allowance
92. APPENDIX D – 1992 Scheme APB example
93. APPENDIX E – 2006 Scheme APB example
94. APPENDIX F – Ill Health and Injury Pension review data summary
95. APPENDIX G – Website communications
96. APPENDIX H – Employer Pension Web page data

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