



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

HIWFRA FIREFIGHTERS' PENSION BOARD

Purpose: Noted

Date: **19 APRIL 2022**

Title: **FIRE PENSION BOARD STATUS REPORT & RISK REGISTER REVIEW**

Report of Chief Financial 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.

STATUTORY REPORTING

3. The Accounting for Tax (AFT) for quarter 3 2021/22 and the Event Reporting for 2020/21 submissions and payments to HMRC were completed by 2 February 2022. The table below shows the breakdown of the payments made.

Type of payment	Amount paid
AFT – Annual Allowance tax charge	£100,978
Event 1 – Unauthorised payment tax charge	£148,246
Total paid to HMRC	£249,224

TEMPORARY PROMOTION COSTINGS

4. The Board will recall how HFRA made a local decision regarding temporary promotions and their treatment for different cohorts of employees when we initially wrote to all affected members in August 2016.

5. Cohort 1 was made up of members that had already retired, and Cohort 2 was made up of members who had the potential of an earliest retirement date within three years of August 2016.
6. Members in cohorts 1 & 2 are protected members and as this was a local decision, any differences in their actual benefits (based on temporary promotion pay) v their legislative benefits (based on an Additional Pension Benefit (APB) and substantive pay) must be paid for by HIWFRA and not the Home Office.
7. An APB is calculated using the contributions paid on the additional pay received because of the temporary promotion and dividing it by a Government Actuary factor based on the member's age. This provides an amount which is paid in addition to the normal annual pension.
8. The maximum cost envelope as agreed by HIWFRA of the estimated costs for the 41 protected members in cohorts 1 and 2 were £291,000 for lump sums and £38,700 a year for annual pensions.

Tax year	Number of retirements	Additional lump sums paid	Additional annual pension paid
2015/16	1	£22,491.88	£562.30
2016/17	5	£45,417.12	£7,406.19
2017/18	3	£22,788.87	£12,810.35
2018/19	5	£40,461.95	£16,285.51
2019/20	9	£46,969.02	£24,663.62
2020/21	6	£66,459.90	£32,138.95
2021/22	7	£27,614.72	£38,426.07
Total	36	£272,203.47	£38,426.07

9. The differences that have been paid out so far for the 36 members across both cohorts, most are broadly in line with the estimated figures originally prepared in 2016 and are all still within the maximum cost envelope.
 - (a) Total of all lump sum differences paid are £272,203.47
 - (b) Annual pensions differences paid for 2021/22 are £38,426.07
10. The remaining 5 members are still in employment and could retire at any point. 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.
11. Out of the remaining members, it is anticipated that only one will be affected due to the others being permanently promoted or where the temporary promotion has ceased and the current pay has now exceeded any temporary promotion pay.
 12. Two retirements in 2021/22 had significantly different retirement figures when compared to the revised estimates calculated in 2021. This is primarily as the members in question received Immediate Detriment at their retirement and this therefore meant a change to their benefits.
 13. In addition there have been a number of previously retired firefighters in this cohort who either reached age 55 this year or will do in the next few years. This means that full pensions increases need to be applied to their pension which can mean that in the year they turn age 55 there is a significant increase in the annual pension payable.
 14. These variances, which could not have been anticipated when calculated in 2021, now mean that we are likely to exceed the revised cost cap envelope agreed by HIWFRA.
 15. Based on revised estimates for the remaining one affected members and to ensure that the future provision up to around 2026/27 is accounted for, we will be seeking approval from the Fire Authority to increase the cost cap envelope as follows:
 - (a) For lump sums £291,000 – cost cap envelope to remain the same
 - (b) For annual pensions from £38,700 to £50,000 (increase of £11,300)

COMMUNICATION

16. Since the last Pension Board report, the Employer Pension manager has provided a presentation at the pre-retirement course and two presentations to new trainees and those transferring from on call to whole time.

MEETINGS

17. The Employer Pension Manager has continued to attend the fortnightly “coffee mornings” put on by the LGA. She has also attended the Fire Communications Working group and the Fire Technical group. These are national meetings and hosted by the LGA and continue to be held online.
18. She also attended four online webinars hosted by the Department of Work and Pensions (DWP) regarding the pensions dashboards consultation.

MEMBER PORTAL

19. There has been a slight increase in members registered for the portal. At the last Board meeting, it was reported that at the 31 December 2021, the total membership registered was at 34.89%.
20. Numbers of those registered are shown in the table below, as at 28 February 2022:

HAMPSHIRE & ISLE OF WIGHT FIRE AND RESCUE SERVICE								
HIWFRA - FPS	Active		Deferred		Pensioner		Totals	
Active	Number	% of active membership	Number	% of deferred membership	Number	% of pensioner membership	Number	% of total membership
Registered	663	49.33%	360	29.75%	517	38.64%	1,540	39.57%
Not registered	681	50.67%	850	70.25%	821	61.36%	2,352	60.43%
Total	1,344	100.00%	1,210	100.00%	1,338	100.00%	3,892	100.00%

OPTOUT FACTSHEET

21. LGA published a new [optout factsheet](#) which is designed specifically at members who may be thinking of opting out of the 2015 scheme on or after 1 April 2022. This factsheet provides a summary of benefits of the 2015 scheme along with additional considerations for the member to think about.
22. Hampshire Pension Services have added the link to the factsheet onto the fire pension scheme opt out form and there is now an additional declaration for the member to sign to say that they have read the opt out fact sheet and still wish to opt out. All we can do is to make the member aware of any possible implications for all of their pension benefits if they opt out.

PENSIONS DASHBOARDS

23. On 31 January 2022, the DWP published a consultation on the draft Pensions Dashboards Regulations which is due to come into effect over the next three years.
24. Whilst we can get on board with the objectives of Pensions Dashboards which is to provide an online place where all pension details and values across all pension schemes, including e.g. public sector, other occupational pension schemes, private arrangements and State Pensions can be shown in one place, there are a number of issues with this for Public Sector Pension Schemes.
25. All Public Sector Pension Schemes (PSPS) are being required to stage (onboard) by 30 April 2024. While it may well be possible to meet the

deadline of onboarding the quality of data certainly cannot be guaranteed; this is because the secondary legislation for the McCloud remedy will not come into effect until 1 October 2023 and from that date, schemes have 18 months to remedy records and send out Remediable Service Statements.

26. Onboarding PSPS by 30 April 2024 means that the values displayed to members are very likely to only show benefits based under the current legislation and will not take into account the rollback to legacy schemes. We believe that this will undermine the credibility of the Pensions Dashboards for PSPS members affected by remedy as it will just turn into another place where incorrect information is displayed. This is likely to cause Hampshire Pension Services a lot of queries and or complaints.
27. We have therefore suggested delaying the staging date for fire schemes for 12 months as this is likely to enable more credible data to be shown on the Pensions Dashboards.
28. The consultation closed on 13 March and the response submitted on behalf of the HIWFA firefighters pension board can be found in APPENDIX A

OPT OUT SURVEY FROM HM TREASURY

29. The LGA informed us that HM Treasury (HMT) had begun undertaking some analysis on reviewing member participation and engagement across Public Sector pensions.
30. HMT are seeking to understand members view regarding their pensions, including the reasons why people may opt out of a scheme and whether this has any long-term impact on the other parts of public services and expenditure. It is their intention to review the take up and retention of public pensions, particularly amongst young professionals; this will help them to help understand the issues employers face when trying to demonstrate the value of pensions. It is hoped that such a review should identify areas where communication is working well and recommend best practice for employers.
31. To this end, as one of the five largest FRAs, the LGA sent us a questionnaire to be completed. This was forwarded to the Director of People and Organisational Development for HIWFRA to complete.
32. The survey questions and responses provided can be found in APPENDIX B. We would welcome the boards views and comments regarding this as to any actions which they think may be useful going forward.

RISK REVIEW

33. There are a number 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.

RISK REGISTER

34. The Risk register has been updated to add Matthews as a new risk because we now have more information about the scope and the timescales as set out in paragraphs 34 to 45.
35. The board are asked to review the Risk Register and to suggest any amendments. The Risk Register can be found in APPENDIX C.

MATTHEWS / O'BRIEN CASE

36. A time limited options exercise took place between 2014 and 2015 to allow eligible members to join the Fire Pension Scheme and to buy back service during the period 1 July 2000 to the date that they elected to join the 2006 Fire Pension Scheme. This option was known as the Modified Fire Pension Scheme.
37. More recently work has again had to take place on the pensions aspect of this case following the European Court of Justice's decision in the O'Brien v Ministry of Justice concerning fee paid judges in the Judicial Pension Scheme. The judgement held that remedy could extend back before the Part Time Workers Directive was required to be implemented on 7 April 2000.
38. After an extended period of negotiations on the scope and mechanics of the settlement a Memorandum of Understanding (MoU) was agreed by all parties on 9 March 2022.
39. Remedy for retained firefighters affected by the O'Brien judgement will be provided by way of a second options exercise allowing in scope individuals the opportunity to purchase pension entitlement a special member of the 2006 Modified Fire Pension Scheme.
40. The scope of the second options exercise is as follows:
 - (a) Retained firefighters employed on any date between 7 April 2000 and 30 June 2000 (inclusive)
 - (b) Retained firefighters employed on any date between 7 April 2000 and 30 June 2000 (inclusive) as well as on any date between 1 July 2000 and 5 April 2006 (inclusive)

- (c) Retained firefighters employed on any date between 1 July 2000 and 5 April 2006 (inclusive) who were eligible to take part in the first options exercise but were not given the opportunity to do so.
41. Where employment is continuous in the same role or post and commenced prior to the dates above, then the retained firefighter will be able to purchase the service going back to when they first commenced employment as there is no limit on the backdating of membership. The scheme allows for a maximum of 30 years pensionable service to be accrued so we could be going back quite some time in some cases.
 42. Retained firefighters who were initially employed on any date between 1 July 2000 and 5 April 2006 (inclusive) i.e. they did not have any continuous employment in that role or post prior to 1 July 2000 and who were given the opportunity to take part in the first options exercise, but did not elect to do so within the statutory time limits, are not in scope for the second options exercise.
 43. The regulations to implement the second options exercise will be drafted by the Home Office and consulted on before they are laid in Parliament. The Home Office have 18 months to do this. FRAs will then have a further 18 months to run and complete the options exercise. This means we can expect this to run alongside the McCloud remedy as this options exercise will need to be completed by March 2025.
 44. A further issue around aggregation arose during the negotiations and FRAs have been asked to identify any retained firefighters employed between the relevant dates where they have transferred from retained to whole time employment and are potentially affected by aggregation. The numbers affected and the relevant schemes need to be provided to LGA by 31 May 2022.
 45. From the first options exercise we identified 929 RDS employments and we have found the details of the original mailings so we can prove that the 901 that were deemed to be in scope originally were written to. This also provides us with the list of those that will be in scope for the second options exercise.
 46. After removing those that are out of scope, we have identified 432 members that fall in scope of the second options exercise and will need to be provided with a range of options depending on their period of service and whether they took up the first option or not.
 47. An initial meeting was held with IBC Pensions Admin Team to discuss this work and to work out a way forward and how to collate the information needed by LGA for 31 May 2022. We will use the list of 432 members to identify if there are any aggregation cases, that is where without a break or overlap in service they transferred to wholetime.

McCLOUD REMEDY

48. The Board will recall at the last meeting that we were putting forward a recommendation that the Immediate Detriment Framework (IDF) was suspended for a further period until the meeting of the Standards & Governance Committee on 26 May 2022. This was to enable further analysis of options and to review any additional guidance or information that became available.
49. We have been having numerous conversations with other FRAs about their approach and there is a very small minority that are still offering Immediate Detriment, but in a limited capacity.
50. A further paper with options and risk analysis was reviewed by the Executive Group on 7 April. This paper contained four options as a way forward.
 - (a) Option 1 - Continue with the IDF in full
 - (b) Option 2 – Continue with the IDF in a limited capacity
 - (c) Option 3 – Continue with suspension of IDF until a later date
 - (d) Option 4 - Withdraw the IDF for all cases
51. While options 1 and option 4 are self explanatory, options 2 and 3 need a little more context.
52. As the Board will recall from the January 2022 Board report, there are issues around the funding element of any payments made as compensation and also an issue with the powers of Section 61 and treating employee contributions paid into one pension scheme as if they were paid to another.
53. Option 2 to operate the IDF in a limited capacity has within it a further two options. To be in line with other FRAs offering Immediate Detriment (ID) and to eliminate most of the issues with compensation payments, IDF would only be offered to category one members – that is those that are coming up for retirement. ID would not be offered to those that have already retired and are receiving pension payments.
54. Option 3 is to continue with the suspension until a later date. We know that clause 9 in the 2022 Finance Bill which came into force on 6 April 2022 provides HM Treasury with the power to make regulations to address tax impacts from McCloud remedy. We anticipate that this will resolve the issue regarding unauthorised payments of additional lump sums where the member retired more than 12 months ago. We are hopeful that this will also provide the way to deal with employee pension contributions. We do not know when this legislation will be available, but it is expected later this year, perhaps in the autumn.

55. If the existing issues that we have with operating the IDF are resolved by this legislation, then ID would be in theory be able to resume in full at that point. The Board are asked for their comments and views on these options and the position that HIWFRA currently finds itself in.
56. The Employer Pension Manager has continued to represent the fire sector at the Cross Whitehall Project Management Group, which is led by HM Treasury. This group is made up of a selection of people from all Public Sector Pension Schemes. The main purpose of this group is to define, comment and review the Policy Definition Documents (PDDs) which describe the process and activities that schemes will need to follow to implement remedy. They will also help shape the secondary legislation that will be out for consultation later this year.
57. From this group a subgroup, led by the Home Office for the Police and Fire sector, has been formed and we are working collaboratively to ensure that the PDDs are fit for purpose and identifying where we will need specific guidance for the Police and Fire Schemes.
58. Some PDDs are lengthy and complex and we have reviewed a range a of areas so far including pensions tax, divorce, contributions, Remediable Service Statements, transfers, death, retirements, interest, Deferred Choice Underpin, Contingent Decisions and Added Pension.
59. All Public Sector Pension Schemes have to sign these off and it is only when that has been completed and all comments reviewed and answered that a final set of documents will be distributed by HM Treasury.

McCLOUD REMEDY WORKING GROUP

60. The McCloud Remedy Working Group is made up of cross departmental and cross organisational representatives and has been meeting up monthly to track progress and ensure consistency across the Shared Services Partnership.
61. At the last meeting it was reported to the Board that the group was working on drafting a letter to go to the current Protected members of the Police and Fire Pension Schemes to advise them of the Scheme changes from 1 April 2022. Letters were sent in early February to 54 Fire Pension Scheme members of the legacy pension schemes.
62. The group are now working on the next two letters which will be sent to all grey book employees to confirm if they are in scope or out of scope for remedy.

63. The Employer Pension Manager is working with both the IBC Pensions Admin Team and Hampshire Pension Services to compile an accurate list of those in scope for remedy, which will enable the identification of those that we believe to be out of scope for remedy.

PROJECT AND COSTINGS

64. The McCloud project in Hampshire Pension Services is currently on track and on budget. The total cost for Police and Fire work on McCloud for quarter 4 of 2021/22 is £20,060.55. The total costs for Police and Fire work for 2021/22 is £63,053.93
65. The costs for quarter 3 were higher due to a lot of work on the Immediate Detriment Framework and also on the consultation of the PSP&JO Bill.
66. The costs have been split according to a percentage of the active membership and a further adjustment is made due to the complexity of Fire Pension Schemes, such as temporary promotions, contribution holidays, CPD payments and pensionable pay.
67. HIWFRA is attributed with 35% of the police and fire costs. The table below shows the estimated and actual costs for the 2021/22 year and the estimated costs for the first two quarters of 2022/23.

Fire Pension Schemes - Hampshire and Isle of Wight Fire and Rescue Authority								
2021/22	Estimated Costs			Actual Costs				
Quarter	Resourcing cost for Police and Fire Schemes	% share of costs for HIWFRA	Estimated Costs for HIWFRA	Resourcing cost for Police and Fire Schemes	% share of costs for HIWFRA	Actual Costs for HIWFRA	Difference in actual from estimate	% increase or decrease from estimate
Q1	£ 10,191.49	35.00%	£ 3,567.02	£ 10,904.96	35.00%	£ 3,816.73	£ 249.71	7.00%
Q2	£ 13,714.42	35.00%	£ 4,800.05	£ 9,775.85	35.00%	£ 3,421.55	£ (1,378.50)	-28.72%
Q3	£ 21,691.33	35.00%	£ 7,591.97	£ 22,312.57	35.00%	£ 7,809.40	£ 217.43	2.86%
Q4	£ 22,079.61	34.39%	£ 7,593.70	£ 20,060.55	35.00%	£ 7,021.19	£ (572.51)	-7.54%
TOTALS	£ 67,676.86		£ 23,552.74	£ 63,053.93		£ 22,068.88	£ (1,483.86)	

Fire Pension Schemes - Hampshire and Isle of Wight Fire and Rescue Authority								
2022/23	Estimated Costs			Actual Costs				
Quarter	Resourcing cost for Police and Fire Schemes	% share of costs for HIWFRA	Estimated Costs for HIWFRA	Resourcing cost for Police and Fire Schemes	% share of costs for HIWFRA	Actual Costs for HIWFRA	Difference in actual from estimate	% increase or decrease from estimate
Q1	£ 23,608.51	34.31%	£ 8,099.81					
Q2	£ 24,404.08	34.31%	£ 8,372.76					
Q3	£ -							
Q4	£ -							
TOTALS	£ 48,012.59		£ 16,472.57	£ -		£ -		

RECOMMENDATION

68. That the content of the report be noted by the HIWFRA Firefighters' Pension Board
69. That Risk Register as set out in paragraphs 31-33 and Appendix C be approved by the HIWFRA Firefighters' Pension Board

APPENDICES ATTACHED

70. APPENDIX A – HIWFRA pension board response to pensions dashboards consultation
71. APPENDIX B – HM Treasury opt out survey
72. APPENDIX C – Risk Register

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