



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

Purpose: Noted

Date: **19 APRIL 2022 (HIWFRA FIREFIGHTERS' PENSION BOARD)**
29 JULY 2022 (HIWFRA STANDARDS AND GOVERNANCE COMMITTEE)

Title: **FIRE PENSION BOARD ANNUAL REPORT (2021/22)**

Report of Chief Financial Officer

SUMMARY

1. This is the annual report from the Fire Pension Board to the Standards and Governance Committee and summarises the work of the Board for the 2021/22 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 periodically, holding four meetings, during the 2021/22 financial year:
 - (a) 15 April 2021
 - (b) 20 July 2021
 - (c) 14 October 2021
 - (d) 25 January 2022
4. Due to the new Combined Fire Authority of the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) coming into effect from 1 April 2021, the Pension Board was increased in membership from six members to eight members.
5. Two new members who were previously members of the Isle of Wight Firefighters Pension Board joined the board at the April 2021 meeting. As this meeting was also the first of the newly combined authority, elections for chair and vice chair took place.

6. The July meeting saw the re-election of Stew Adamson to Chairman and Richard North to Vice-Chairman. Both will hold the position until the first meeting of the Fire Pension Board following the annual meeting of the Fire Authority in 2022.
7. 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.
 - (a) Statutory reporting
 - (b) Surveys
 - (c) Communications
 - (d) Legislation update
 - (e) Temporary Promotions and Additional Pension Benefits
 - (f) Risk review
 - (g) McCloud remedy and Immediate Detriment
8. The pension board status and other associated reports can be found in APPENDICES A – I.

STATUTORY REPORTING

9. There are a number of statutory reporting events that occur during the Scheme Year all with legislative deadlines.

ACCOUNTING FOR TAX

10. Accounting for Tax (AFT) is the way that tax charges are reported to HMRC, these occur when certain types of payments are made to members of the Fire Pension Scheme. These are reported and paid quarterly, the exception to this is Annual Allowance tax charges as they have different deadlines.

Type of payment	Amount paid
Annual Allowance tax charge Q3 2020/21	£139,941
Annual Allowance tax charge Q4 2020/21	£29,023
Life Time Allowance tax charge Q1 2021/22	£170,823
Life Time Allowance tax charge Q2 2021/22	£11,512
Tax deducted from refunds Q2 2021/22	£34
Total paid to HMRC	£351,333

EVENT REPORTING

11. In April 2021, the details of the Event Reporting for the 2019/20 tax year were reported to the Board. These are specific events that occur, primarily upon retirement when benefits are crystallised and incur a tax charge. They are reported to HMRC by the 31 January, following the end of the tax year.

Type of payment	Amount paid
Event 1 – Unauthorised payment tax charge	£85,552
Total paid to HMRC	£85,552

ANNUAL BENEFIT STATEMENTS

12. The statutory deadline for issuing Annual Benefit Statements (ABS) is 31 August each year. The Board heard that the 2021 deadline was met and that 100% of ABS' for both active and deferred members across all Fire Pension Schemes were published and available to view via the Member Portal.
13. The Employer Pension Manager has been involved with providing feedback to Hampshire Pension Services with regard to improvements, wording and consistency for the 2022 statements.

PENSION SAVINGS STATEMENTS

14. The statutory deadline to provide Pension Savings Statements is 6 October each year. A Pension Savings Statement is automatically sent to a member where they have exceeded the standard Annual Allowance in the year but can be sent to any member upon request.
15. There were 23 Pension Savings Statements issued to members of the Hampshire Fire Pension Schemes for 2020/21 and of those, 11 had taxable excesses.
16. It was reported to the Board that all members fell under the Mandatory Scheme Pays option and therefore these members have until 31 July 2022 to elect to use Scheme Pays if they so wish.

TPR SCHEME RETURNS

17. It was reported to the Board that the Employer Pension Manager completed the annual pension scheme returns for The Pension Regulator. This survey requires information to be submitted about scheme membership numbers, details of the scheme manager, Fire Pension Board members, details of the administrator and other relevant contact details.
18. TPR also require data scoring which consists of common data and scheme specific conditional data. The common data score is made up of things like personal data such as name, address, date of birth etc, while the scheme specific data score varies from scheme to scheme and for Fire would include specific things such as membership data including any transfer in details, CPD, temporary promotions etc.

19. The table below shows the scores for year ending 31 March 2020 and the latest year 31 March 2021, which shows that improvements have already been made across most areas.

The Pension Regulator Scheme Returns - FIRE Schemes						
Year end	31/03/2020					
TPR Scheme Return	December 2020					
Scheme	Actives	Deferreds	Pensioners	Beneficiaries	Common Data Score	Conditional Data Score
1992 Fire Pension Scheme	53	68	831	136	98%	92%
2006 Fire Pension Scheme	13	411	43	4	88%	98%
2006 Modified Fire Pension Scheme	15	38	73	3	98%	90%
2015 Fire Pension Scheme	1,057	443	5	7	98%	97%
Total	1,138	960	952	150		
Year end	31/03/2021 (Includes all IOW membership numbers and in the data scoring)					
TPR Scheme Return	November 2021					
Scheme	Actives	Deferreds	Pensioners	Beneficiaries	Common Data Score	Conditional Data Score
1992 Fire Pension Scheme	61	70	945	162	98.71%	95.51%
2006 Fire Pension Scheme	11	440	62	7	95.45%	98.00%
2006 Modified Fire Pension Scheme	22	48	100	6	97.73%	93.18%
2015 Fire Pension Scheme	1,209	557	9	8	98.23%	96.77%
Total	1,303	1,115	1,116	183		

RISK REVIEW

20. There are a variety 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.
21. These groups are now well established, meeting regularly and include representatives across the board from pensions, HR, finance and others.
22. The Board review the risk register at each meeting and during the 2021/22 year no amendments have been required. This is likely to change going forward as both the McCloud age discrimination remedy and the Matthews / O'Brien part time workers judgement gain traction and progress.

COMMUNICATION

23. The Board heard that four pension presentations had been made to new recruits and the Employer Pension Manager had also delivered pension presentations at three pre-retirement courses over the year.

MEETINGS

24. The Board were pleased to note that the HIWFRA is represented widely in the fire sector as the Employer Pension Manager attends a number of national and local meetings, including the Fire Communications Working Group, the Fire Technical Group, the South East Fire Pension Officers Group. She also attends the fortnightly Fire Pension online coffee mornings.
25. The Employer Pension Manager is also a member of the Local Pension Board Effectiveness Committee which is one of the three SAB sub committees. And more recently has accepted an invitation made by the Home Office to join the Cross Whitehall Project Management Group for the McCloud remedy.

MEMBER PORTAL

26. At the January 2022 meeting it was reported to the Board that the overall fire pension scheme membership, taking into account active, deferred and pensioner members stood at 34.89%, with 47.68% of the active membership registered for the portal.
27. Hampshire Pension Services have now changed some processes so that new members and those retiring are required to sign up for the Pensions Member Portal.

COMBINED FIRE AUTHORITY

28. The Board heard how the transfer of the pension and payroll data from Isle of Wight Council (IWC) to the IBC Shared Services payrolls and to Hampshire Pension Services was completed on time with no major issues. There were however two issues which were identified as set out below.

HISTORICAL CONTRIBUTION RATES

29. It was reported to the Board that an issue affecting all IOW on-call / retained firefighters that were employed and in a pension scheme between 1 April 2012 and 31 March 2021 had been identified. Contribution rate bandings were determined by actual pay, rather than by the whole time equivalent reference pay based upon grade, meaning that members had underpaid their employee contributions.
30. The Board heard that in total 109 members had underpaid contributions over the 9 year period and that the total amount of the underpaid employee pension contributions was £69,506.57; and that the value of these missing contributions was required to be paid by HIWFRA to the pension scheme.

2006 MODIFIED FIRE PENSION SCHEME

31. The other issue that was notified to the Board was regarding the 50 2006 Modified Fire Pension members that transferred from the IWC.
32. A complete audit was carried out on the data and pension records resulting in a range of issues being identified for 39 members, some were found to have incorrect initial calculations and there were also a variety of underpayments and overpayments. There were only 6 members that were considered to be of a material amount.
33. The Board were please to note that all the necessary communications and corrections had taken place and where applicable payments plans put in place to recover overpayments.

TEMPORARY PROMOTIONS AND ADDITIONAL PENSION BENEFITS

34. There was an amendment to legislation on 1 July 2013 which allowed individual FRAs to decide whether the additional pay received because of a temporary promotion for 1992 and 2006 schemes was pensionable or not. Legislation means that temporary promotions within the 2015 Scheme are not pensionable.
35. In 2016, HFRA took the decision to make temporary promotions within the 1992 and 2006 schemes pensionable, which meant that firefighters would now earn an Additional Pensionable Benefit (APB) whilst on Temporary Promotion.
36. The maximum cost envelope as agreed by HFRA of the estimated costs for the 41 protected members in the relevant cohorts were £256,000 for lump sums and £35,700 a year for annual pensions.
37. Up to 2020/21 there had been 29 retirements and it was reported to the Board that the differences that have been paid out so far for these members were broadly in line with the estimated figures prepared in 2016.
 - (a) Total of all lump sum differences paid are £244,588.75
 - (b) Annual pensions differences paid for 2020/21 are £32,138.95
38. The remaining 12 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.
- 39. It was reported to the Board that two of the retirements in the 2020/21 had significantly different retirement figures when compared to the estimates calculated in 2016. These increases were mainly due to the career grade progression making the difference to the substantive grade greater.
- 40. Revised estimates were carried on the remaining members and the Board were notified that we would be seeking approval from the Fire Authority to increase the cost cap on lump sums by £35,000 to £291,000 and on annual pensions by £3,000 to £38,700.

CONSULTATION

- 41. The Home Office launched a consultation on the draft legislation for the Public Service Pensions & Judicial Offices (PSP&JO) Bill on 8 November 2021 with a closing date of 2 January 2022.
- 42. This is the primary legislation required for the removal of future age discrimination in Public Service Pension Schemes as part of the McCloud age discrimination remedy. The Bill closes all public service legacy pension schemes on 31 March 2022 and moves all remaining members into the 2015 scheme from 1 April 2022. The Bill also contains some other minor amendments to the legislation, but these are all broadly in line with what was expected.
- 43. A response to the consultation was submitted by the Pension Board on behalf of the HIWFRA.

MCCLOUD AGE DISCRIMINATION REMEDY

- 44. There have been many developments that were reported to the Board over the course of the year. A Project team was formed for Hampshire Pension Services, and a separate group, the McCloud Remedy Working Group, which is a cross departmental and cross organisational group was also formed to ensure that resources and processes are streamlined and consistent across the Shared Services.
- 45. It was reported to the Board that the Government had published its response to the consultation which although left a lot of questions, it did go some way to confirming some key messages which we were able to communicate to members via Routine Notice.
- 46. The Board were keen that we offer Immediate Detriment to members coming up to retirement, and at the start of the year HIWFRA made the

decision to offer this on a case by case basis where the case was deemed to be clear and straight forward.

47. The Board heard that the Employer Pension Manager had worked closely with both the IBC Pensions Admin Team and Hampshire Pension Services to not only work out a process, including timescales, but also to design template letters that could be sent to members at various stages of the process.
48. In total there were only 13 cases that had initially requested Immediate Detriment, but of those, only 9 cases were actually progressed and took Immediate Detriment at retirement.
49. On 8 October 2021, the LGA and FBU then published an Immediate Detriment Framework which now meant that Immediate Detriment could be given to previously retired members who were already in receipt of a pension. HIWFRA adopted this framework on 16 November 2021.
50. Unfortunately, the Home Office then withdrew its informal guidance on Immediate Detriment on 29 November 2021 and HIWFRA along with all other FRAs were put in a very difficult position. The Chief Financial Officer made a decision to temporarily suspend all Immediate Detriment processing.
51. The Board had a lengthy discussion about the status of Immediate Detriment at their meeting in January 2022 and they were in agreement that until further guidance or information was available that they would be recommending to the Standard's and Governance Committee that Immediate Detriment remained suspended with a deadline for making a decision at the May meeting.
52. Work is ongoing on this matter and continues to change. The Board are keen to re-introduce Immediate Detriment but only where a number of the risks identified for both HIWFRA and the member can be reduced or eradicated.

PROJECT AND COSTINGS

53. It was reported to the Board that the McCloud Project was currently on track and on budget. As the work for the Police and Fire Schemes is broadly similar, these costs are accruing together, but then split between the relevant employer, The costs are then split further according to a percentage of the active membership and an additional adjustment is then made due to the complexity of Fire Pension Schemes such as temporary promotions, contribution holidays, CPD payments and pensionable pay.
54. HIWFRA is attributed with 35% of the police and fire costs. The table below shows the estimated and actual costs for the first three quarters of 2021/22.

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	34.88%	£ 7,702.37	£ -				
TOTALS	£ 67,676.86		£ 23,661.41	£ 42,993.38		£ 15,047.68	£ (911.35)	

OTHER ITEMS

55. At the July meeting, the Board received a report of the Pension Administrator. They were pleased to note that Hampshire Pension Services had performed very well during the year. The Board heard that they had once again been awarded Customer Service Excellence accreditation with compliance plus in seven areas.

FUTURE ISSUES

56. The Fire Pension Board annual report has identified considerable development across a variety of areas. The focus for the 2020/21 year includes:
- (a) Remedy and impact from McCloud / Sargeant judgement
 - (b) Remedy and impact from the Matthews / O'Brien judgement
 - (c) Impact of Pensions Dashboards

CONCLUSION

57. As set out in this report, there has been continued progress across all areas of fire pensions during 2021/22; in particular around governance and control, together with significant improvements in the quality and range of pension information that is available to firefighters.
58. For 2022/23, the year will be about sustaining the continuous improvement and building on the foundations that have been put in place. It will also be a challenging year with a number of upcoming changes to the pension schemes.
59. Although the list of future issues only contains three items, the volume of work for each of these should not be underestimated. Each area will have its own complexities and challenges and having the right amount of resources in place will be key.

60. HIWFRA fire pensions are in a good place as there is already a robust structure in place with the Employer Pension Manager, the Employer Pension Groups and the McCloud Remedy Working Group which are an excellent multi-departmental resource across the Shared Services partnership and they will be crucial in co-ordinating the work involved.

RECOMMENDATION (to the HIWFRA Firefighters' Pension Board)

61. That the annual report be agreed for submission to the HIWFRA Standards and Governance Committee.

RECOMMENDATIONS (to the HIWFRA Standards and Governance Committee)

62. That the content of the report be noted by the HIWFRA Standards and Governance Committee
63. That feedback on previous work or future areas of priority is provided to the HIWFRA Firefighter's Pension Board by the HIWFRA Standards and Governance Committee

APPENDICES ATTACHED

64. APPENDIX A – Fire Pension Board report (15 April 2021), [report](#), [appendices](#)
65. APPENDIX B - Legislation and Local Government Association (LGA) Update report (15 April 2021), [report](#), [appendices](#)
66. APPENDIX C – Fire Pension Board report (20 July 2021), [report](#), [appendices](#)
67. APPENDIX D - Legislation and Local Government Association (LGA) Update report (20 July 2021), [report](#), [appendices](#)
68. APPENDIX E - Pension Administration update report (20 July 2021), [report](#)
69. APPENDIX F – Fire Pension Board report (14 October 2021), [report](#), [appendix](#)
70. APPENDIX G - Legislation and Local Government Association (LGA) Update (14 October 2021), [report](#), [appendices](#)
71. APPENDIX H – Fire Pension Board report and Risk Review (25 January 2022), [report](#), [appendices](#)
72. APPENDIX I - Legislation and Local Government Association (LGA) Update (25 January 2022), [report](#), [appendices](#)

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