

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 10TH JULY 2019
REPORT OF: DIRECTOR OF TRANSFORMATION
AUTHOR: JILLSWIFT

SUBJECT: PENSION ADMINISTRATOR - CHANGES TO
PROCESS

Purpose of Report

1. The aim of this report is to provide further information regarding changes that have been made to improve the quality of employee data and business processes following a number of errors made by the current pension administrator XPS (previously Kier Pensions).

Recommended: That

[1] Members note the report.

Background

2. Pension administration is currently outsourced to a company called XPS pensions. Its services include the administration and calculation of employee pensions and payment of the pensioner payroll. The role of the Cheshire Fire payroll team is to ensure that XPS are notified of all changes to employee pay that impacts the calculation of their pension.
3. XPS provides a suite of forms to enable employers to complete such notifications. Changes include increases or decreases in pay for temporary/permanent promotions, payment of allowances and changes to contracted hours.
4. Following changes to the pension schemes in July 2013 and the introduction of the new CARE scheme in 2015, the definition of pensionable pay has changed. As a result, it is now more complex to determine pensionable pay, in particular where employees have a number of changes and have service in the 1992 scheme as well as the 2015 scheme.

Information

5. During 2018, a number of errors were made by the pension provider relating to the calculation of pensionable pay. This resulted in affected employees receiving incorrect quotations which they will have considered when making

important decisions about their future. In all cases, the calculations were corrected before payment was made, therefore no employees were overpaid as a result of these errors; the employees were paid what they were entitled to.

6. Following investigation, the causes of the errors were identified as:

- Misinterpretation of data sent by Cheshire Fire
- Lack of XPS staff with knowledge of Firefighter Pension regulations
- Breakdown in XPS internal controls regarding counter-checking of calculations and approval of lump sum payments
- Incorrect pay used to calculate final pensionable pay

7. In all cases, it was found that instructions sent to XPS by the Cheshire Fire payroll team had been accurate and timely. However the team at XPS has either misinterpreted the information, or in some cases, not referred to the most up to date pay details.

8. In order to ensure these errors do not reoccur the following additional controls have been put in place:

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| Misinterpretation of data | <p>Leaver forms have been updated to make them more fit for purpose following changes to scheme regulations.</p> <p>This will ensure that Cheshire Fire staff can more clearly detail pay received and this in turn will reduce the risk that XPS staff will misinterpret the data.</p> <p>XPS are also working on an amended variation form which has still to be finalised.</p> |
| Lack of XPS staff with knowledge of Firefighter Pension Regulations | Only experienced staff will work on Cheshire Fire pension calculations. |
| Breakdown in internal controls | <p>XPS has been instructed that payments should not be released without prior approval from a Cheshire Fire signatory.</p> <p>No pension payments will be approved unless there is evidence that calculations have been checked by a senior member of the XPS team.</p> |
| Incorrect pay used to calculate final pensionable pay | Pensionable pay will be provided by the Cheshire Fire payroll team rather than the outsourced payroll provider as they have better knowledge of pension scheme rules. |

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| | <p>All retirements and pensionable pay calculations for quotations will be completed or checked by the Payroll and Pensions HR Lead to ensure accuracy of data.</p> <p>XPS has been instructed to ensure all staff who work on Cheshire Fire pension calculations are suitably experienced and trained.</p> <p>A pensionable pay guide has been produced to ensure all Cheshire Fire pay and pensions staff have the necessary knowledge to complete pensionable pay calculations to provide resilience in the absence of the Payroll and Pensions HR Lead.</p> |
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9. In addition to these controls, the pension provider is required to attend Pension Board meetings. The Board supports the Scheme Manager by scrutinising the performance of the provider against agreed service level. XPS also provides quarterly performance reports and attends quarterly contract meetings where any issues and complaints are discussed with HR representatives.

Financial Implications

10. To-date no payment have been made in excess of entitlement. Should that occur the Service would look to XPS to assist it in pursuing a remedy.

Legal Implications

11. Officers will continue to monitor the performance of XPS and reinforce the contractual obligations, wherever relevant.

Equality and Diversity Implications

12. None

Environmental Implications

13. None

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 BACKGROUND PAPERS: NONE**