

CHESHIRE FIRE AND RESCUE SERVICE

MEETING OF : LOCAL PENSION BOARD – FIREFIGHTERS
PENSION SCHEME
DATE : 3 AUGUST 2020
REPORT OF : PENSION SCHEME MANAGER
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SUBJECT : FIREFIGHTER PENSION SCHEME UPDATE

Purpose of Report

1. The purpose of this report is to provide the Pension Board with an update on current issues relating to the Firefighters' Pension Schemes and the local governance arrangements in place to ensure effective administration of the schemes.

Information

Membership Statistics

2. Membership statistics are detailed in Appendix A. In terms of data trends since the last set of data, it is noted that in terms of On Call staff, the number of individuals who have opted out of a pension scheme has increased from 25 (9.47% of On Call staff) to 47 (16.15% of On Call staff).
3. This is likely to be a result of the employment of the cohort of Resilience On Call Firefighters who have nearly all opted out of the pension scheme as they are already receiving benefits from their previous service. This has also resulted in the overall number of operational employees who have opted out of the pension scheme to rise from 6.33% to 9.26% of operational employees.
4. In terms of the data relating to age, as most of the resilience On Call Firefighters are over 50, the 51+ category has seen a decrease in staff who are in a pension scheme from 95% to 81.4%.

Contracting-Out Reconciliation Exercise

5. Cheshire Fire and Rescue Service (CFRS) are still currently in phase 2 of the GMP reconciliation project, which was due to conclude at the end of December 2018. However, HMRC extended the deadlines to December 2019 due to the volume of queries they have received, and this has now been extended again. Phase 2 is unlikely to be completed until the final data is provided by HMRC.

Phase 1 – Accessing the data and initial assessment
Phase 2 – Investigation of variances
Phase 3 – Reconcile
Phase 4 – Correct Scheme and HMRC data

6. A summary of the current position is provided within Appendix B. XPS have now completed investigations on all inactive and active Scheme members, and have identified further HMRC discrepancies and rectification work which might be required.

2018 Firefighter Pension Scheme Administration Survey

7. In December 2018, FRAs responded to The Pension Regulator's (TPR) annual administration survey, the results of which were published in May 2019, and reported on at the last Pension Board in October 2019. No further survey has been undertaken since.

Annual Benefit Statement Update 2020

8. The Pension Self-service system went live at the end of 2019, as previously discussed and demonstrated to Pension Board members.
9. With this portal now in place the issuing of this year's and future Annual Benefit Statements will now be issued online only. This will eliminate previous problems where statements have not been received in a timely manner.
10. We will issue communications to staff in the Green Bulletin advising staff that their ABS's are ready to view and in line with statutory requirements this should be by 31st August 2020.

Re-Enrolment Update

11. The Pensions Act 2008 introduced automatic enrolment to a pension scheme for all eligible workers in the UK. Eligible workers are those over age 22 and under State Pension Age (SPA) who earn more than £10,000 per year (£833 per month).
12. The implementation date, called the staging date, varies by employer according to how many employees the organisation has. CFRS's staging date was 1st October 2013. Every three years, employers must re-enrol eligible workers into the pension scheme. The first re-enrolment took place on 1 October 2016, the second was due on 1st October 2019, and the next will be due on 1st October 2022.

Scheme Annual Activities

13. There are a number of activities that the scheme must complete each year.

Q1 Apr-Jun	Annual Data Returns - May Scheme Year Start – 6 th April ABS preparation Pension Increase - April CARE revaluation – 1 st April
Q2 Jul-Sep	Employer data deadline Mandatory Scheme Pays deadline – 31 st July Issue ABS to active members by 31 st August
Q3 Oct-Dec	Issue Pension Savings Statements - 6 th October TPR scheme return - November TPR admin and governance survey - November LGA Firefighter Pension Scheme AGM – Sep/Oct Accounting for Tax return deadline – 31 st December
Q4 Jan-Mar	Voluntary Scheme Pays deadline – 31 st January Event Report deadline – 31 st January Paying over scheme sanction charges – 31 st January Paying over Mandatory Scheme Pays - 14 th February

14. In quarter 1, at the time of writing all tasks are on track with the exception of the Annual Data Returns which have not been completed.
15. The reason for this year's delay is that the Service's new Payroll provider, the Access Group, does not provide this data whereas in previous years the data was always provided to XPS by the previous payroll provider, Kier.
16. This change in provider has meant that the data is being provided by CFRS's internal payroll team who have not previously undertaken this work. Delays have been incurred therefore due to a lack of familiarity coupled with limited capacity within the team.
17. It is expected that the Annual Data Returns exercise will be completed by early August 2020 so as not to create a delay in the issuing of Annual Benefits Statements.

LGA Conference Updates

18. All LGA 'in-person' events have now been postponed/cancelled up to the end of October 2020 due to the COVID-19 pandemic. In the interim some Pensions related training is being provided online.
19. Local Pension Board wrap up training took place online on 10th June and 8th July 2020. This was communicated to Pension Board members.

Regulatory/Scheme Updates

20. The Government Actuary's Department's (GAD) final 2020 valuation data specifications for the Fire England schemes were issued by email to administrators and software suppliers on 3 June 2020.
21. The Protected Pension Age (PPA) tax rules were temporarily relaxed for the period 1 March to 1 June 2020 for those returning to work as a result of COVID-19. On 2 June 2020 HM Treasury/ HMRC announced an extension to the easement of the tax rules relating to PPA. The deadline has been extended to 1 November 2020 for retired firefighters re-employed in relation to FRAs' response to the coronavirus pandemic. Prior to this being announced, the Service recruited the cohort of On Call Resilience Firefighters to help with Covid-19 resilience, but ensured that all returnees had the required 6 month break in service which avoids the PPA issue.
22. Banded contribution rates were introduced to the Firefighters' Pension Scheme 1992 and the Firefighters' Pension Scheme (England) 2006. These rates have subsequently been amended each year by an amendment order to the schemes.
23. The most recent amendments, which came into force on 1 April 2015, listed the rates applicable from 2015-16 to 2018-19, including contribution rates for Special Members of the Firefighters' Pension Scheme (England) 2006. The Firefighters' Pension Scheme 2015 was introduced on 1 April 2015. For 2019-20, FRAs were instructed that the 2018-19 rates would continue to apply, due to the pause of the cost-cap mechanism. These rates will continue to apply for 2020-21.
24. With the introduction of the Civil Partnership (Opposite-sex Couples) Regulations 2019, the new legislation simply amends the definition of a civil partnership so that it is not limited to same-sex couples, the FPS regulations can be directly read to interpret that any reference to civil partnerships includes both same-sex and opposite-sex couples. No subsequent amendment of the FPS rules will be required.
25. The Home Office published workforce and pensions statistics for Fire and Rescue Services (England) on 31 October 2019. The pension scheme statistics, covering April 2018 to March 2019, reflect data returns on income, expenditure and membership submitted by all 45 FRAs in England.

Key results include:

- Firefighters' Pension Scheme expenditure in 2018/19 was around £856 million.
- In 2018/19, 81% of expenditure was "recurring outgoing payments" and 18% was "commutation payments".

- Firefighters' Pension Scheme income in 2018/19 was around £257 million.
- In 2018/19, 53% of income was "employer contributions", 44% was "employee contributions" and the remaining 4% comprised transfers, miscellaneous income and ill-health charges.
- The Firefighters' Pension Scheme deficit in 2018/19 was around £599 million.
- As at 31 March 2019, the total number of pensioner members was 43,665. Of these, 95% were members of FPS 1992.

Governance and Local Issues

26. Since the resignation of the HR Business Support Manager in December 2019, the Service has encountered challenges in recouping the knowledge and experience required in this complex area. Whilst this has not resulted in a failure to deliver payroll or pension related work, in some areas it has resulted in delays and additional pressure on the team.
27. Following two unsuccessful attempts to backfill the role, the Head of HR for the Joint Police and Fire HR team has been reviewing options as to how this post can be filled, and we have also been assigned a dedicated person from within the Joint Police and Fire Legal Services team.
28. Recent activity has also been undertaken to create an additional pensions administration role within the team that will be dedicated to Fire. It is expected that within the next three months the staffing levels within the team will be back to up to the required level.
29. Another issue that the Pension Board need to BE made aware of is the outcome of an exercise commissioned by CFRS in partnership with the FBU to ensure that all retirees eligible for a Split Pension received the correct benefits upon retirement. This is the subject of a separate report that will be presented and discussed at the Pension Board meeting.
30. Although now resolved, as many other FRS has encountered difficulty over split pensions, the LGA have asked CFRS to share our recent handling of the situation with them to be published as a national case study. It is the LGA's view that there is valuable learning from our experience and they believe the way in which it was managed and resolved is an example of good practice.

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