

CHESHIRE FIRE AND RESCUE SERVICE

MEETING OF : LOCAL PENSION BOARD – FIREFIGHTERS
PENSION SCHEME
DATE : 14 JANUARY 2021
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

Pension Function Resource

2. We are pleased to report the appointment of both Emily Purslow and Stephen Gall into the roles of Pension Coordinator and Pay & Pensions Lead. The appointments will bolster support and bring stability to the function as we move through 2021, the Pay & Pension Lead will be a shared resource and will work across both Cheshire Fire and Cheshire Police.

Membership Statistics

3. Membership statistics are detailed in Appendix A. In terms of data trends, the levels of those who have opted out have remained fairly consistent with the previous statistics provided, with a very slight increase in the percentage of staff who are in a scheme compared with the previous quarter. The number of active members has decreased since the previous quarter due to retirements/leavers and limited recruitment having taken place.

Medical Appeal Boards

4. Duradiamond, the current contracted provider of Medical Appeal Boards, recommenced appeal hearings in July after a 3 month suspension due to Covid-19.
5. In November they advised that regional venues were being opened up in response to appeal demand. The first venues planned to be opened

were Manchester and Leeds and pending cases with these locations as their venue of choice have been booked accordingly.

6. Remote appeals are not yet able to be accommodated but Duradiamond was assessing the feasibility of such a service.
7. In light of current restrictions, it is believed that medical appeals in person are again being put on hold. The Service currently has one live medical appeal that it is preparing to submit.

Immediate Detriment

8. The SAB note the immediate detriment guidance issued by the Home Office but have queried its legal status and the Home Office's expectations of FRAs to comply.
9. The SAB have also submitted a number of technical questions and have sought clarification on what percentage of the FPS 2015 membership within the immediate detriment category are likely to be affected by complicating factors, such as divorce or transfers.
10. The Home Office have confirmed that they are discussing the questions raised with colleagues in HM Treasury in order to provide a reply as soon as possible.
11. Currently there is no mandate to action anything relating to the guidance from the Home Office and the advice from the SAB is to wait until a comprehensive response is provided.
12. The Pension Scheme manager has advised the representative bodies that until such a time as the necessary clarity is provided and the legal status of the guidance understood, CFRS's position is that it will default to the normal retirement arrangements.

Public Services Age Discrimination Remedy

13. The joint statement below was issued on the 4th December 2020 by the Home Office and LGA Bluelight team regarding public service pensions age discrimination remedy.

“As you are aware the Treasury’s public consultation on the Public Sector Pension remedy closed on the 11 October. This note is intended to outline next steps for delivery of the remedy.”

14. The Treasury are currently considering consultation responses and expect to publish their response to the consultation shortly. This will outline the policy intent of the remedy, including whether immediate or deferred choice will be adopted.

15. Changes to both primary and secondary legislation will be required to remove the discrimination. The Home Office will need to work with the Treasury to understand the policy and proposed legislation and to draft regulations to make the changes required for the Fire schemes.
16. In order to deliver the remedy to the timeline set out by the Treasury, the Home Office and the LGA Bluelight pensions team are committed to ensuring that all FRS are kept up to speed with all policy and regulation developments so that work can progress at pace.
17. For CFRS it is important that we start the process of considering what technology/administration processes will be required to implement the remedy. An initial meeting has been set up with Cheshire Constabulary to consider the implications and contact has also been made with other FRS pension scheme managers to make tentative enquiries regarding a potential regional approach.

TPRs Single Code of Practice

18. On 1 September 2020, the Pensions Regulator (TPR) confirmed that it intends to launch the formal consultation on a single Code of Practice in late 2020/early 2021.
19. TPR provides 15 codes of practice, covering topics such as early leavers, internal controls and governance and administration of public service pension schemes. The plan is to review and combine the content of the 15 codes to form a single, shorter code.

2020-21 Statutory Levy

20. FPS reported in November that they have now started the collection process of the SAB and technical support levy for 2020/21.
21. FRAs were asked to provide a valid purchase order number by 31 December 2020, stating the number of employees eligible to join one of the Firefighters' Pension Schemes at 1 April 2020. CFRS have complied with this request.

LGA Conference Updates

22. All LGA 'in-person' events continue to be on hold. Some on line courses and assistance remain available and will continue to be so into 2021.

Public Sector Exit Pay Cap

23. The new Restriction of Public Sector Exit Payments Regulations 2020 took effect on 4 November 2020, capping exit packages for all public

sector employees and office holders at £95,000.

24. The cap applies to the total amount payable when someone exits, including severance payments, any pension strain cost and notice payments in excess of three months.
25. The enactment of the exit pay cap has resulted in judicial reviews and the need for further legislative reforms. This is due to the apparent discrepancy between the obligations on scheme employers under the Cap Regulations to limit strain cost payments, and the requirement for administering authorities to pay unreduced pensions to qualifying scheme members under existing LGPS regulations.
26. On 22nd December 2020 three applications for Judicial Review (JR) of the Restriction of Public Sector Exit Payment Regulations 2020 were granted permission to be heard. These applications, which will be heard together in the latter half of March, are made by ALACE/LLG, UNISON and GMB/Unite and contest the regulations on a number of grounds including their effect on the existing LGPS regulations. The outcome of these applications could impact on the Pension Cap Regulations.
27. The Ministry Housing, Communities and Local Government (MHCLG) opened a consultation in September 2020 in relation to reforms to exit payment terms for all local government pension schemes. Consultation responses were due by 18th December 2020. The outcome of this consultation is likely to lead to amendments to the LGPS Regulations.
28. In October 2020, the MHCLG sent a letter to all LGPS Administering Authorities detailing their recommendations. The letter is attached to this report at Appendix B. It notes the conflict between the Pension Cap Regulations and LGPS Regulations and gives some guidance as to how to deal with any affected cases during the interim period.

Governance and Local Issues

Internal Audit of Pensions

29. As part of the MIAA Internal Audit Plan for 2020/21, the Fire Authority approved a review of pensions which took place between September and December 2020. The overall objective of the audit was to review the Cheshire Fire and Rescue Service's systems and processes in place for pensions, including the following sub-objectives:
 - Procedures are established to document processes for recording and coding pension payments and these are up to date with relevant rules and regulations;
 - Processes and key controls are operating consistently;

- Eligibility for split pension is confirmed;
 - Communication links are strong between the organisation and the pension provider;
 - Supporting documentation is retained and is reconciled to pension payments;
 - Pension payments are correctly coded between elements to be paid from the Pension Fund and those from the Income and Expenditure Statement;
 - Pensions are correctly calculated;
 - Pensions are paid correctly and in a timely manner;
 - Staff have appropriate knowledge and expertise to fulfil their roles;
 - Appropriate governance and assurance reporting arrangements are in place.
30. The audit methodology comprised of a series of interviews with CFRS, Police and XPS staff involved in the administration and management of Fire pensions. It also involved fieldwork which primarily revolved around policy reviews, dip sampling of documentation, calculation checks and a review of processes and compliance.
31. The audit findings provided an overall assessment on the level of assurance based on the following scale:
- No Assurance
 - Limited Assurance
 - Moderate Assurance
 - Substantial Assurance
 - High Assurance
32. Where issues were identified the audit also used risk ratings based on a 4 point scale : Low Risk; Medium Risk; High Risk; Critical Risk;
33. Whilst the report has not been submitted for review at the Performance & Overview Committee, MIAA have advised that the audit has determined an overall rating of **Substantial Assurance**. There are no critical or high risks identified within the audit and the executive summary states that there is ***“a good system of internal controls to meet the system objectives and that controls are generally being applied consistently”***.
34. Although the report is mostly positive, improvements have been suggested in 3 areas. These areas relate to the retention of documentation, updating of policies, and changes to provide more

clarity on the leaver's checklists. The timeline for actioning and completing these recommendations is end Q4 2020/21, and the CFRS team met before christmas to agree a plan to achieve this.

35. The final MIAA audit report will be submitted to the Performance & Overview Committee in February 2021. A further update will be provided at the next Pension Board.