

CHESHIRE FIRE AND RESCUE SERVICE

MEETING OF : LOCAL PENSION BOARD – FIREFIGHTERS
PENSION SCHEME
DATE : 17 MARCH 2021
REPORT OF : PENSION SCHEME MANAGER
AUTHOR : STEVE GALL

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, 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 increased since the previous quarter as a result of a number of new recruits.

TPR Six Key Processes

3. Scheme managers and LPBs should consider the six key processes factsheet, assess which they have in place and take action to address any gaps.
4. TPR measures six processes as key indicators of public service pension scheme performance. The six processes are:
 - Documented policy to manage board members conflicts of interest
 - Access to knowledge, understanding and skills needed to properly run the scheme
 - Documented procedures for assessing and managing risks
 - Process to monitor records for accuracy / completeness
 - Process for resolving contribution payment issues
 - Procedures to identify, assess and report breaches of the law

IQMP Assessments

5. SAB will take steps to form a review group for guidance around medical retirements
6. In cases of immediate detriment some IQMPs have felt unable to make assessments under two schemes, due to wording in the scheme regulations.
7. Although SAB recognise that neither they, the LGA or Home Office can provide a definitive interpretation of the regulations they are satisfied that the regulation wording should not prevent IQMPs from giving an opinion on both schemes.

Age Discrimination Remedy

8. The response to the consultation on changes to the transitional arrangements to the 2015 public sector pension schemes was published on 4th February. The response confirmed that discrimination will be addressed in two parts.
9. To remove future discrimination from the schemes and ensure equal treatment, all remaining protected members who are not currently members of FPS 2015 will transfer into this scheme on 1 April 2022. This means that all future service for all members will build up in the reformed CARE scheme. Final salary benefits already built up are fully protected.
10. For benefits built up during the period of discrimination, 1 April 2015 to 31 March 2022, unprotected and taper members will be credited with final salary build-up in their original scheme. At retirement, all members will be able to keep their legacy final salary benefits or choose to receive the CARE benefits that they would have built up in the same period.
11. While we expect that transferring remaining members into FPS 2015 at 1 April 2022 will be relatively straightforward, the conversion of CARE benefits into final salary will involve complex administrative processes with adjustments of pay, contributions, tax relief, and pensions tax liabilities. The consultation response addresses some of these issues, however, further policy decisions are needed in some areas. The Home Office will consult separately on changes needed to the Firefighters' Pension Scheme regulations to enact the remedy.

Valuation

12. HMT also announced the position on both the paused 2016 cost cap valuation and the 2020 valuation.

13. The pause on the 2016 cost cap calculation will now be lifted and GAD will now proceed with finalising the valuations based on the DCU approach to removing discrimination.
14. Although government had announced a review to the mechanism to control the cost of public sector service pensions for future valuations in July 2020 this will not affect the process of the 2016 cost cap valuation which will continue on the current mechanism.
15. The 2020 valuation will be subject to any recommendations as a result of this review. Any changes to employer contribution rates resulting from this valuation will be delayed from April 2023 to April 2024.
16. The result of this is that employer contribution rates will remain at the same rate as set in the 2016 valuation until 2024. Any changes to that position will be made when information becomes available.

Exit Payments Cap Revoked

17. On 12 February 2021 the government issued the Exit Payment Cap Directions 2021 which disapplied parts of the Restriction of Public Sector Exit Payments Regulations 2020 in England with immediate effect.
18. As a result the exit cap no longer applies in England with effect from 12th February 2021.
19. HMT issued guidance setting out the expectations that employers should pay the additional sums that would have been paid had the cap not applied for employees who left between 4th November 2020 and 12th February 2021.

Immediate Detriment

20. Following the decision of the EAT on the FRAs' schedule 22 appeal and its effect on Section 61 of the Equality Act 2010, FRAs will now want to consider their decision in relation to payments under the immediate detriment guidance issued by the Home Office in August 2020.
21. FRAs need to determine whether they have the necessary information available to them to make decisions and understand the risk to the organisation. In order to achieve this they may want to consider:

- Is the six-page note provided by the home office in August 2020 and in-house scheme knowledge sufficient to enable accurate calculations for its members?
- What does the local cohort of membership look like with regards to members whose calculation of benefits would be subject to policy decisions yet to be made, such as CETVs received after 1 April 2015, added pension payments or pensions tax?
- What risk is there to the member on accepting payments without key policy decisions in place and how will the member be told of this risk?
- What governance might FRAs put in place to assure themselves that the correct benefits will be paid to members, members have been made aware of all expectations and that necessary processes will be in place to calculate and record the payments until an automated solution is adopted.
- Decisions will have to be recorded to ensure they are clear, transparent and auditable.

Draft Remedy Data Collection Guidance

22. In order to credit members with their original legacy scheme membership for the remedy period, administrators will need additional from FRAs to rebuild the final salary record.
23. A template will be provided containing all the data items requirements and format which will aid the process.
24. FRAs should work with their administrators to identify all eligible members and consider any processes or additional resources that need to be put in place to identify the data requirements.

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