

CHESHIRE FIRE AND RESCUE SERVICE

MEETING OF: LOCAL PENSION BOARD – FIREFIGHTERS PENSION SCHEME
DATE: 11 AUGUST 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

Membership Statistics

2. Membership statistics are detailed in Appendix A. In terms of data trends, the latest figures for Quarter 1 2021/22 show an increase in percentage of staff who are in a pension scheme from 90.89% in the last report to Pension Board in March 2021, to 91.87% for the most recent quarter. There has also been a corresponding slight decrease in percentage of staff opting out of their scheme from 9.11% to 8.13%.

McCloud/Sargeant – Remedy and Immediate Detriment

3. Prior to the government's consultation response on 4 February 2021, the Home Office issued guidance to FRAs on how to process prospective "immediate detriment" cases in advance of a decision relating to the Remedy. This guidance was published on 20 August 2020. This guidance was not considered to be comprehensive and as such FRAs were advised to wait for further clarity before proceeding.
4. On 4 February 2021 the government confirmed its final approach to Remedy: the Deferred Choice Underpin ("The McCloud Remedy").
5. On 23 March 2021 the Government published a command paper titled "Tax Policies and Consultations" and stated that in designing the McCloud Remedy, it had identified several aspects of the pension tax framework that did not work as intended in all situations. Therefore it was advised that this needed updating in order to deal with some cases.

6. On 11 May 2021 the Public Service Pensions and Judicial Offices Bill was announced in the Queen's Speech. The purpose of the Bill is to ensure equal treatment for all members within each of the main public service pension schemes in order to remedy the discrimination identified in the Sargeant/McCloud litigation.
7. On 10 June 2021 the Home Office issued revised informal Immediate Detriment Guidance. The guidance is non-statutory and does not place legal obligation on FRAs. However the guidance states FRAs do have *"the power to calculate and pay pension entitlements for those members who fall within the immediate detriment category under their legacy schemes, through the application of Section 61 of the Equality Act 2010."*
8. The guidance is caveated and states that it should not be seen as providing a definitive resolution to all of the consequences arising from the discrimination, but rather as a short term means of progressing certain immediate detriment cases. It is also important to note that ALL cases processed using the guidance will need to be revisited once the full detail of the Government's approach is finalised and legislation is in place.
9. The Service has been reviewing this guidance with a view to determining how to deal with upcoming retirements whilst minimising the risk to the Authority and individual members. The preferred strategy would be to wait until the National Framework has been agreed in conjunction with the FBU but it is recognised that there are several pending retirements within CFRS at the current time, that if not actioned, may result in a degree of hardship.
10. It should be noted that there is currently ongoing litigation in the High Court involving two Services (not CFRS) in relation to Immediate Detriment. It is within this litigation where a National Framework is being considered.
11. In order to find a resolution for upcoming retirees in scope the Service has advised the FBU that they will consider immediate detriment payments on a case by case basis. This is because in some cases there are technical issues that need to be resolved or further details required before XPS can determine if calculations and payments are even possible. Examples of these cases are members with pension sharing orders, members who have purchased added years/pension or members who have transferred in non-fire benefits where the transfer could not have been accepted into the legacy scheme at the date of the transfer payment.
12. Monthly meetings now take place between the Pension Scheme Manager, Senior HR Business Partner, legal advisor and the Service's XPS Liaison Officer. These have been valuable in identifying what needs to be put in place to enable the handling of Immediate Detriment cases. One of the requirements is the development of a set of

principles around Immediate Detriment which is consistent with good governance.

13. A review of XPS's terms and charges will also be necessary and the Service is currently awaiting confirmation of this. Based on the extent of manual calculations and the time it will take to undertake the Immediate Detriment calculations, the Service has been advised that each Immediate Case will be charged at approximately £850. With this in mind the Immediate Detriment process will not be used as an estimate mechanism only for formal retirements.
14. On 19 July 2021, HM Treasury (HMT) introduced the Public Service Pensions & Judicial Offices Bill (PSP&JO Bill) to the House of Lords. The Bill sets out in law how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members (i.e. remedy).
15. This is the primary legislation which closes final salary schemes for accrual past 31 March 2022 and moves all remaining members into FPS 2015, while ensuring that existing transitional protections such as the final salary link and double accrual are retained. Secondary legislation in the form of Regulations will also be required to apply the primary legislation to the Fire Pension Schemes specifically and detail how in practice the remedy will be implemented.

Consultations

16. The Government Actuary has recently concluded his review of the cost control mechanism in the public service pension schemes. The Government has considered the report and is now consulting on three changes to the mechanism, all of which are recommendations by the Government Actuary.
17. The Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate is a discount rate used in the valuation of unfunded public service pension schemes to set employer contribution rates. It expresses future pension promises that are being built up in present-day terms and is set by HMT following a prescribed methodology. The current methodology for setting the SCAPE discount rate has been in place since 2011. This consultation seeks views on the objectives for the SCAPE discount rate and the most appropriate methodology for setting the SCAPE discount rate going forward.
18. The Scheme Advisory Board will be considering a response to both of the above consultations.

Internal Appointments

19. The challenges that have been encountered over the last 18 months in respect of capacity and in house technical expertise have been well documented and identified as an ongoing risk. Since the last Pension

Board meeting however, positive progress has been made to reduce this risk and two posts have been appointed into which will add capacity and much needed support into the pensions team.

20. The first post which is a Pensions Manager post is a permanent position that will work exclusively for Fire. The successful candidate is highly experienced, suitably qualified and has worked for the Service previously with an excellent track record. It is expected that she will commence in early October 2021.
21. The second post is a temporary Pensions Support Officer which has been recruited on a six month basis to assist specifically with the additional work created as a result of the McCloud/Sargeant case.

New Pensions Advice Website

22. On 18 March 2021, the Money and Pensions Service (MaPS) revealed plans to launch a single offering for consumers called MoneyHelper. This will replace the Money Advice Service, the Pensions Advisory Service and Pension Wise, although Pension Wise will continue as a named service under the MoneyHelper umbrella.

FPS Member Website Launched

23. The first national website for Firefighters' Pension Scheme members was launched on 20 May 2021. The site is now live at www.fpsmember.org. The aim of the site is to have a central resource for firefighters to find out about their pension scheme and the benefits and options that are available.

National Audit Office publish public service pensions report

24. In March, the National Audit Office (NAO) published a report into public service pensions. It found that the Government's reforms to public service pensions in 2015 have helped contain rising costs to the taxpayer.
25. However, the report says that the Government should monitor more than just affordability and should consider how good pension provision could help to recruit and retain staff, and where more flexibility could be offered to employers.
26. The NAO makes five key recommendations on issues which it says the Government needs to address soon, including the impact of age discrimination remedy and how the cost control mechanism works.

Retirees Access to XPS Self Serve Portal

27. In July letters were sent to all retired members with instructions on how to access their individual pension accounts via the Self Serve Portal.

28. As well as being a positive benefit for retirees, another expected benefit of giving people direct access to their on line information is that it will help with the ongoing data cleansing exercise, as people will flag any inaccuracies in their data. It is also anticipated that the direct access will reduce the number of enquiries to both the pension team and XPS.

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