

CHESHIRE FIRE AND RESCUE SERVICE

MEETING OF: LOCAL PENSION BOARD – FIREFIGHTERS PENSION SCHEME
DATE: 10 NOVEMBER 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. When comparing the data from Q2 with Q1 there do not appear to be any significant trends, the number of operational staff in a pension scheme has increased slightly from 91.87% to 91.98%.

FPS Bulletin - Actions Arising

3. TPR scheme return. The return is due on 10th November and is on track to be submitted by the deadline – FPS Bulletin 48
4. The first stage of the process to register for the Managing Pension Schemes online service, which is replacing Pension Schemes Online in 2022, has been completed by CFRS. No further action will be required by public sector employers until 2022 – FPS Bulletin 48

Public Service Pensions and Judicial Offices Bill

5. Further detailed guidance on the Public Service Pensions and Judicial Offices Bill has now been released including information about the background and detail of the bill, how the Bill will implement changes and the next steps following the Bill
6. The LGA have provided their own summary update on this. This update is available in FPS Bulletin 48.

7. The Bill received its second reading in the House of Lords on 7 September 2021. The Government is aiming for the Bill to receive Royal Assent in early 2022, but expects there to be a number of technical amendments to the Bill as it passes through Parliament.

Consultations

8. The Government has now responded to the consultation regarding the cost control mechanism published in June 2021. The Government will proceed with all three reforms:
 - The cost control mechanism will adopt a reformed scheme only design: to remove any allowance for legacy schemes in the mechanism so it only considers past and future service in the reformed scheme
 - The cost corridor will be widened: from +/-2% to +/-3% of pensionable pay
 - An economic check will be introduced: linked to expected long-term GDP so that a breach of the mechanism (and therefore benefit changes) would only be implemented if it would still have occurred had long-term economic assumptions been considered.
9. The Scheme Advisory Board (SAB) have now responded to HMT's consultation regarding the adjustment of the The Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate, published in June 2021. This consultation proposed changes to the timing of the review of the SCAPE rate to align with the scheme valuation cycle and also a request for feedback on the methodology used. The SAB support the proposals as they will lead to greater stability in the rate going forwards.

HM Treasury Response to Committee of Public Accounts Committee Report

10. In June 2021 the Committee of Public Account Committee published a report recommending a number of actions for public service pension schemes.
11. HM Treasury (HMT) has now responded to this report and has accepted five out of the six recommendations, those being:
 - commission other government departments for analysis of the latest participation data for each public service scheme
 - work with departments to standardise data collection on participation rates, including whether it could be broken down by member characteristics
 - ask departments to update it on measures they are taking to improve participation among specific groups

- write to the Committee with an update in six months on the work to implement the McCloud judgment and to resolve the issues with the cost control mechanism
- write to the Committee by the end of 2021 with an assessment of how it is meeting the objectives of the 2014 / 15 pension reforms

12. HMT disagrees with the Committee's conclusion that it has done little to

identify and manage the differences in average pensions between genders and other groups. It argues that such differences are a function of past differences in earnings rather than in differences in pension provision itself.

Change of LGA Fire Pensions Technical Lead

13. Clair Alcock left her role as LGA Senior Pensions Advisor on 3rd September to become Head of Police Pensions for the NPCC. Claire Hey will be taking over the Fire Pensions Technical Lead role and the LGA will be recruiting to backfill Claire's vacant technical advisor role.

Risk Management Board

14. A briefing paper was taken to the Risk Management Board on 12 October outlining the risks associated with the McCloud/Sergeant remedy, in particular those risks relating to immediate detriment cases.

15. The risks relating to administration and mitigating actions are summarised below.

Risk	Mitigating action
<p>Lack of technical guidance in some areas, such as taxation, may mean that members have insufficient information to inform their decision.</p> <p>They may become liable to tax charges once guidance is finalised and their pension is reviewed.</p>	<p>HMT are drafting a policy statement to cover treatment of retrospective annual and lifetime tax allowance breaches, tax relief on employee pension contributions and other tax related issues. The HMT policy however is unlikely to be published for several months</p> <p>Members will be required to sign a declaration to indicate they understand the request they are making and the potential consequences of their decisions, and confirming they are aware of the need to seek independent advice</p>
<p>Benefits may be calculated incorrectly due to the complexities associated with the contributions rates, taxation and the period of time</p>	<p>The pension provider has committed that all calculations will be subject to secondary calculation as a means of checking the</p>

<p>over which recalculation of benefits need to be undertaken.</p> <p>Pension software not yet updated and therefore calculations will be more manual in nature.</p>	<p>accuracy of the figures provided.</p>
<p>The additional data that the pension provider will require to process immediate detriment cases will place additional strain on the in-house payroll and pensions team</p> <p>Despite securing funding for a temporary pensions administrator, the Service has been unable to recruit into the post due to the specialist nature of the role and skills shortages</p>	<p>This will be partially mitigated by the recruitment of a new Pension Manager with previous experience of the Firefighter Pension Schemes and Cheshire Fire and Rescue Service.</p>
<p>Risk of loss of historic HR, pay and pensions information which will be needed for ID calculations.</p> <p>Data pre-April 2010 is currently stored in a legacy HR system which is no longer supported and only accessible via a designated desktop PC.</p>	<p>Work has commenced with the IT department to assess options for this data to be migrated into a format that is more accessible and secure on current systems that are monitored and maintained.</p>
<p>Until pension software can be updated, Annual Benefit Statements will not contain the correct information. Software updates are not expected to be finalised in time to enable dual benefit statements for eligible members before October 2023, presenting financial uncertainty and an inability for members to make informed decisions around retirement planning</p>	<p>Members can still obtain estimates of benefits based on the current regulations so, for the foreseeable future, members will be able to base some of their planning around a worst case scenario.</p> <p>XPS are also in the process of developing a series of case studies to help illustrate the differences between the options.</p>
<p>Currently most eligible firefighters only have to give one weeks notice. The risk is that firefighters would not give sufficient notice, which would make it difficult to achieve the timescales to undertake complex calculations and provide the necessary dual benefits statements.</p>	<p>In a joint statement issued by the Service and FBU on 27 October 2021, the Service have requested that employees wishing to retire under immediate detriment, give as much notice as possible, preferably 12 weeks, to allow for the additional work that is required.</p>

Memorandum of Understanding - McCloud

16. On 8 October 2021, the Local Government Association and Fire Brigades Union agreed a national framework for FRAs to follow when handling immediate detriment cases, called the Memorandum of Understanding (MoU). The MoU is included at Appendix B.
17. As the MoU is not legally binding, the Service intends to report to the Fire Authority's Staffing Committee on 8 November 2021 to explain how it intends to work with FBU to deal with immediate detriment cases. It expects the Committee to be supportive.
18. The Service and the FBU released a joint statement on 27 October 2021 to all members updating them on the current position and next steps. A copy of the joint statement is at Appendix C.

Split Pensions – Case Study

19. In 2019, the FBU raised a concern relating to 'two pension' awards, also known as split pensions. Split pensions are applied where the member has suffered a reduction in pay, and ensures they are able to benefit from the higher rate of pay if they didn't receive it within their final 3 years of service.
20. There was a concern that a number of members may not have had the split pension applied to their pension calculation, and as a result were receiving a lower pension and lump sum than they were entitled to.
21. Following an exercise to review and correct any pensions that were incorrect, Cheshire Fire and Rescue Service and the FBU produced a case study to raise awareness of split pensions. This case study was published by the LGA in FPS Bulletin 49 and is attached at Appendix D.
22. The LGA said it was "a strong example of partnership working between an FRA, their administrator, and a representative body, and also demonstrates thorough consideration of the Pension Regulator's breach processes".

Pensions Team Resourcing

23. The new Pensions Manager started on 25 October 2021. Although the role sits in the Joint Corporate Services team, this resource will be dedicated to Cheshire Fire. The successful candidate brings with them previous experience of the firefighter pension schemes and knowledge of Cheshire Fire and Rescue Service.
24. Additional funding has been obtained for a fixed term resource should the pension team need any further assistance. The Pensions Manager will assess workloads in the coming weeks to identify any pinch points

that may be experienced in the coming months, to determine where this funding can be best utilised.

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BACKGROUND PAPERS:

**LOCAL PENSIONS BOARD – FIREFIGHTER PENSION SCHEME –
FIREFIGHTER PENSION SCHEME UPDATE (11 AUGUST 2021)**

**LOCAL PENSIONS BOARD – FIREFIGHTER PENSION SCHEME –
FIREFIGHTER PENSION SCHEME UPDATE (17 MARCH 2021)**