

Essex Fire Authority

Essex County Fire & Rescue Service



MEETING

AGENDA ITEM

**Audit, Governance & review
Committee**

10

MEETING DATE

REPORT NUMBER

20 January 2016

EFA/017/16

SUBJECT

- 1. Pension Governance and Administration**
- 2. Employer discretions for the Firefighter Pension Schemes**

REPORT BY

Lindsey Stafford-Scott, Director of Human Resources and Organisational Development

PRESENTED BY

Lindsey Stafford-Scott, Director of Human Resources and Organisational Development

SUMMARY

This report is to provide information to Members regarding the governance and administration of pension arrangements within the Authority.

This report also sets out key employer decisions which are required and recommended in relation to the current Firefighter Pension Schemes.

RECOMMENDATIONS

Members of the Audit, Governance and Review Committee are asked to note the information in the report and to review the Statement of Policy of employer discretions (Appendix 1) under the relevant regulations of the Firefighter Pension Schemes.

BACKGROUND

Annual Pension Benefit Statements

Benefits statements have always been available to contributors to the Local Government Pension Scheme. The difficulty of reporting accurate data to our Pension Scheme administrators, the Essex Pension Fund (EPF), has meant that, up to 2014/15, benefit statements have not been available to employees who contribute to the Fire Pension Schemes. The first objective of the newly appointed Pensions Manager for the service was to ensure reporting of data to the EPF to enable the distribution of Annual Pension Benefit Statements to contributors to the Fire Pension Schemes.

This exercise was achieved for 2014/15 and all wholetime firefighters received their Benefit Statements on the 13th November. All on-call firefighters who were within 5 years of retirement also received a benefit statement with the commitment to provide a statement to all employees in 2016.

The statements were based on contributions to 31st March 2015 and, for this year only, do not therefore provide a statement of benefits in the FPS 2015 which was introduced on the 1st April 2015. In 2016, the statements will include information on all scheme contributions.

This has been a great piece of work by our Pensions Manager, the payroll team and the Essex Pension Fund and has been very well received by the workforce. It has enabled the Service to address some data issues and for employees to consider their pension arrangements even if they are some way from retirement.

Work is well underway to ensure that the data available to generate next year's statements is more easily accessible to ensure a more efficient process

Pay and Pension Project and KPMG review

As a result of review work undertaken on the issues of pension and pay organisation and administration and with information received from the review undertaken by KPMG during July a pay and pension project is being undertaken and is being managed by a dedicated resource within Finance but in close liaison with HR and Pensions. The project will have key deliverables relating to processing of information in readiness for the annual returns to the Essex Pension Fund which drives the annual benefit statement exercise as well as the review of processes between the payroll and HR teams in house and with the Fire Service Pension Team at the Essex Pension Fund. To this end it has been decided that the payroll team will be co-located with the HR support team which will serve to ensure greater communication and collaboration between the teams to the benefit of their customers. A further report on the progress of the pay and pension project will be made to future meetings of the AGR committee.

The KPMG review commissioned by me has provided some useful external insight into our administration arrangements. Key findings were related to communications, procedures and system development and these have been fed into the pay and pension project. A discussion will be held with KPMG to determine the value of a follow up review related to the improvements made. The review also highlighted the continued use of the Scottish Widows personal pension provision within the Authority and this has initiated a separate review of this provision which will be reported to the Strategic Management Board in the New Year. The full report has also been provided to the Committee with the other audit reports.

Regional and National collaboration

The Eastern Region Fire Pension scheme group has now been meeting for a year and all members across the region (nine authorities in all) has benefited from this group which is chaired by the Essex Fire Authority. The meeting has ensured improved communications and information sharing on fire scheme issues, greater collaboration and networking and a focus on pending and live regulatory issues.

The Firefighters Pension Adviser, Clair Alcock, who is hosted by the LGA, but funded by contributions from all Fire Authorities, is having a significant impact in the delivery of information and shared working to all Fire Authorities and this year organised the first AGM for Fire Authorities related to Pension matters.

A case has been made by the Chairs of all the Regional Pension Groups for additional national resource to support Fire Pension Scheme administration recognising the valuable contribution that Clair has made, but also recognising a lot still needs to be achieved, and a response to this request is awaited.

Regional Local Pension Board training

On the 28th January the Fire Authority has organised and will be hosting a regional training event for Local Pension Board members from across the region. The event will be an opportunity for Pension Board members to have a shared learning event with national speakers on pension issues such as tax, contracting out and pension governance.

Local Pension Board arrangements for Fire Pension Schemes and the LGPS and the establishment of the Scheme Advisory Board for Fire Pension Schemes

The Local Pension Board for the Essex Fire Authority has held two meetings this year. The first was held in July which officially constituted the Board and which set the terms of reference. The second business meeting was held on the 12th October 2015. Agenda items were related to information items such as the pension scheme provision and statistics on membership, an update on the annual benefit statement exercise and the pay and pension project as well as a discussion about training requirements for Board Members and with input from the Essex Pension Fund regarding their role in support of the Fire Pension schemes. The next meeting of the Board will be held in March.

The (National) Scheme Advisory Board for Fire Pension Schemes is being constituted now which is a little later than expected. The Board will consist of 14 members (7 employer and 7 employee members) and the Chair is currently being selected through the DCLG and the appointment will be confirmed by the Secretary of State. It is expected that the Scheme Advisory Board will dictate to a certain extent the business agenda for the Local Pension Board and further information on this is awaited.

Early Retirement

Members will recall that the offer of early retirement as part of the Organisational Change process was agreed at the Fire Authority meeting in December. At the time of writing expressions of interest have been received which generates a pension estimate for consideration and some applications are moving through the approval process. A further verbal update on this will be provided at the meeting.

Retained Modified Pension Scheme

The pension provision under this scheme which is for on-call employees who did not have access to pension provision prior to 2006, is currently being processed and pensions for 37 former employees, who are now of pension age, have been put into payment. The provision for other members (3 other pensioners, 67 still active employees and 26 deferred pensioners) is being put in place currently with an anticipated completion date of 31st March 2016

Firefighters' Pension Scheme 1992 - Pensions Ombudsman Determination

The Pension Ombudsman's recent determination on the complaint brought by Mr W Milne, a retired firefighter means that additional redress payments will be paid to certain retired firefighters.

The Government has decided that additional lump-sum payments are to be made to members of the Firefighters' Pension Scheme 1992 who became entitled to payment of their pension between 1 December 2001 and 21 August 2006 inclusive (the relevant dates) and who chose to commute part of that pension for a lump sum. This is to address the Ombudsman's conclusion that the Scheme's commutation factors should have been reviewed before 2006. The funding for these payments will be provided the Fire Authority in January with payments made to 170 retired firefighters or their estates by the 29th January. The administration costs of processing these additional payments will be funded by the Fire Authority.

Legal challenge by the Fire Brigades Union to the transitional protections in the FPS2015

The Employment Tribunal Discrimination claims being brought by members of the FBU relate to alleged age, sex and race discrimination (and possibly equal pay complaints) arising from the Transitional Protections which came into force on 1 April 2015 with the introduction of the 2015 Scheme. All Fire Authorities in England, Wales, Scotland and Northern Ireland are subject to the claims and the Local Government Association is co-ordinating the activity in defence of the claims. The DCLG are subject to a separate claim. At the time of writing, it is proposed that a test case is taken forward through the tribunal system. Essex Fire Authority is represented on the Steering Group by the Director of HR and OD.

Ending of contracting out April 2016

The new State Pension system will change how people's State Pension is calculated. It will be introduced in April 2016 and will affect everyone who reaches State Pension age on or after 6 April 2016. In future, each extra year on someone's National Insurance record will add the same extra amount of future pension, just one flat rate extra amount, until State Pension Age or the full new State Pension are reached.

Under the new State Pension the Additional State Pension scheme (which was related to earnings) will end. The ability to 'contract-out' of the Additional State Pension (in return for paying less National Insurance (NI) or having NI go directly towards a private pension) will end when the new State Pension is introduced.

After contracting-out ends in April 2016, employees will need to pay National Insurance (NI) contributions at the full standard rate. The reduction in NI that contracted-out employers get now will also end. This means that for employees of the Fire Authority the rebate of 1.4% will end and for the Fire Authority as an employer the rebate of 3.4% will also end which will mean that the Fire Authority will have an additional amount of £820,000 to pay towards national insurance contributions in 2016-2017 and in subsequent financial years.

Policy Development

The consultation with the recognised unions on three new policies is just about to conclude. The policies are on Retirement, Abatement and Flexible Retirement (LGPS members only for Flexible Retirement). The policies will be available on the service intranet and briefing sessions will be available to employees.

Financial advice

Sound financial advice on the point of retirement or planning for retirement is invaluable to enable an individual to make appropriate decisions to ensure their financial security in retirement.

The Strategic Management Board has recently agreed an arrangement with Affinity Financial Awareness (<http://www.affinityadvise.co.uk/>) a national private sector company, which can provide employee support which is centred on financial advice and retirement planning

The Service will use Affinity to offer a financial advice resource to employees either approaching retirement or for pre-retirement planning.

The provision offered by Affinity is being advised to our workforce alongside the Government Money Advice Service <https://www.moneyadviceservice.org.uk/en> and the website 'Unbiased' which provides a search facility for independent financial advice <https://www.unbiased.co.uk/>

The manner in which Affinity provision is communicated primarily is by the provision of a pre-retirement course to employees approaching retirement; however it is proposed a link providing information about the service is placed on the Service Intranet to be accessible at any time.

The pre-retirement courses will be offered free of charge by Affinity, in return for the opportunity to act as a first point of contact to employees who may wish to engage a financial adviser.

Fire Schemes discretionary decisions

On 10th March 2015 the final Regulations relating to the new 2015 Firefighters' Pension Scheme (FPS2015) were finalised by Parliament and the new scheme came fully into effect on 1st April 2015. Benefits accruing for membership of this new scheme accrue on a Career Average Revalued Earnings (CARE) basis, rather than on a final salary basis as per the Firefighters Pension Scheme 1992 (FPS1992) and the Firefighters Pension Scheme 2006 (FPS2006).

The provisions of the FPS2015, together with the protections for members' accrued pre 1 April 2015 final salary rights, are contained in the Firefighters' Pension Scheme (England) Regulations 2014.

Fire Authorities have to formulate, publish and keep under review a Statement of Policy on certain discretions which they have the power to exercise in relation to members of the FPS2015, as well as the FPS1992 and FPS2006.

The purpose of the Statement of Policy at Appendix 1 is to ensure that there is clarity on the policy of the Essex Fire Authority with regard to the various discretions provided by the Firefighter Pension Schemes. This is for the purpose of the administrator of the Essex Fire Authority's pension schemes, Essex Pension Fund, and for employees of the Essex Fire Authority who are contributing members of a Firefighter Pension Scheme or eligible to be a member of a Firefighter Pension Scheme.

The Director of Human Resources and Organisational Development has the delegated authority to manage the pension arrangements on behalf of the Authority. In exercising her delegated powers the Director of Human Resources and Organisational Development has consulted with the Strategic Management Board in relation to the discretion decisions

described. The Finance Director & Treasurer has determined that the financial risk is manageable within the Fire Authority resources.

The discretions document is attached at Appendix 1. Other discretions within all the Fire Pension Schemes will be managed on a case by case basis with policy developed as necessary to support decisions made.

It is proposed that the Statement of Policy is reviewed in April 2017 or sooner if the need arises.

RISK MANAGEMENT IMPLICATIONS

The adoption of the Statement of Policy will ensure that there is clarity regarding the policy of the Authority related to the exercise of the pension discretions and consistency of decision making.

FINANCIAL IMPLICATIONS

The financial implication of the legal challenge related to the transitional protections under the FPS2015 is unknown at present.

The financial risk of the discretions policy has been reviewed by the Finance Director and Treasurer to the Fire Authority and is considered acceptable.

LEGAL IMPLICATIONS

The adoption of the Statement of Policy will ensure that the Authority complies with Pension Scheme regulation and controls the financial and reputational risks associated with staff disputes.

USE OF RESOURCES

Support for Pension Scheme administration is provided by a dedicated resource within HR.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications within this paper

EQUALITY IMPLICATIONS

There are no equality implications within the report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
Appendix 1 Policy Statement on Employer Discretions	
List of background documents (not attached):	
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