

Hampshire Fire and Rescue Authority

Fire Pension Board

Item 8

30 September 2015

Pensions Issues Log

Report by the Senior Human Resource Business Partner

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1 Summary

- 1.1 This report summarises the range of current issues related to the administration and management of Firefighters pensions which largely arise from recent changes to schemes and employment tribunal matters. Progress toward resolution of these issues is summarised below and in the pensions issues log attached to this report.

2 Recommendations

- 2.1 That the contents of this report which summarises progress toward resolution of the pensions issues for Hampshire Fire and Rescue Service be noted.

3 Introduction and background

- 3.1 The demands upon administration and management of Firefighters pensions have significantly increased in scale and complexity recently with the introduction of new schemes and regulations and a number of employment tribunal challenges to aspects of the way in which Firefighter pensions have operated.
- 3.2 The purpose of this report is to summarise, for awareness of the Board, the full range of current pension related issues which require resolution, to confirm progress on these issues and to report on those aspects which have been completed.
- 3.3 Firefighter pensions are being managed within corporate shared services in conjunction with the Pensions Administrator and under the overall leadership of the Head of Finance. Due to the number and complexity of current issues management of pensions is drawing significant capacity from corporate shared services. Establishing arrangements for the effective management of all of the issues has been difficult given the scale and complexity and in the context of the creation and transition to corporate shared services. Arrangements are now in place to manage the flow of information from national sources to consistent points of contact and ensure that all pensions issues are logged and progress against specific projects are monitored on a regular basis.

4 Pensions Issues Log

4.1 Attached to this report is the pensions issues log which has been created to assist in the effective management and monitoring of these matters.

4.2 There are 10 current items and 4 completed items included on the issues log attached to this report. There is a RAG (Red Amber Green) status identified for each of the items to help ensure that priority items are given urgent attention. Of the 10 current issues included on the log 1 is recorded as red status and a further three are amber:

- Impact on pension tax liability of temporary promotions (red status). The new scheme has made temporary promotion pay non pensionable and whilst this will limit the number of cases of this sort in the future, members who are fully protected in the old schemes may still face significant tax liabilities as a result of temporary promotions. The Head of Finance will finalise advice for future cases, but the Authority could consider converting some of the benefits from temporary promotions into Additional Pension Benefits, which avoid the tax liability issues.
- RDS Less Favourable Treatment – purchase of retrospective membership (amber status). This is a significant issue which has required substantial management in recent months. A full summary is provided in section 5 below.
- Continual Professional Development (CPD) scheme payments (amber status). CPD payments to be pensionable on the determination of the employer. Senior Business Partner is making enquiries to verify how these payments are currently treated in payroll so that appropriate action can be identified and implemented.
- Medical review following Ill Health Retirement – Robust procedures are not currently in place for carrying out these reviews on a regular basis and a standard approach needs to be put in place.

5 Membership of the RDS Modified Pension Scheme

During the period 1 July 2000 and 5 April 2006 inclusive, retained firefighters were not given the opportunity to join the Firefighters' Pension Scheme 1992 (the "1992 Scheme") in respect of their retained employment. Following an Employment Tribunal decision the Government has introduced regulations (the Firefighters' Pension Scheme (England) (Amendment) Order 2014) which offers pension entitlement for all who were employed as retained firefighters between 1 July 2000 and 5 April 2006. These pension benefits are incorporated within the Firefighters' Pension Scheme 2006 (the "2006 Scheme"). It does not constitute a scheme on its own but rather a new modified section of the 2006 Scheme with different benefits and is commonly referred to as the "modified scheme".

The differences between the modified 2015 scheme and the Firefighters' Pensions Scheme 2006 are summarised in the table below:

Modified Scheme 2015	NFPS 2006
Normal retirement age of 55	Normal retirement age of 60
Deferred benefit age of 60	Deferred benefit age of 65
Death in service benefits (info on request)	Death in service benefits is 3x pensionable pay
Accrual rate = 1/45th	Accrual rate = 1/60th
Contribution rate = 11% for service before 1st April 2012 and then between 11% and 17%	Contribution rate = 8.5% to 12.5% from 1st April 2014
Commutation factor is fixed and linked to age at retirement and FPS 1992*	Commutation factor is 12 to 1

To comply with these new Regulations, HFRS was obliged to offer retrospective membership of the modified scheme to retained firefighters that were employed by the Authority at any point during the period 1 July 2000 and 5 April 2006. Accordingly, information was sent to the 937 eligible retained firefighters and of these 276 returned an initial expression of interest confirming their interest in pursuing membership of the modified scheme. In June 2015 letters and further information were sent to these 276 with a deadline to return confirmation of their preferred option for membership of the modified scheme by 1 September 2015. This generated a significant volume and complexity of queries from Retained Firefighters and there was no calculator and very limited support available nationally to support the response. HCC responded to all enquiries during August 2015 and communications were sent highlighting the 1 September 2015 deadline.

Initially there was a low response with approximately 50 completed returns by 1 September and a number of those returned were inaccurately completed making it impossible to identify the preferred option for joining the modified scheme. Accordingly further letters and options forms were sent to prompt further responses and contact has been made to clarify preferred options where necessary, responses are still being received.

At 15 September 2015 over 160 completed options forms had been received with more expected. Letters will be sent to all of those who have responded confirming the option that they have chosen. To complete the process, everyone who wishes to join the scheme will be re-calculated as at the end of September in order to provide accurate estimates. Details will then be passed to Pension services to administer membership of the modified scheme and Finance will make arrangements to collect member contributions owed by those who have opted to

join the scheme. To meet national reporting requirement details of all HFRS members of the modified pension scheme will be returned nationally for 30 September 2015.

11 Conclusion

- 11.1 The management and administration of Firefighters pensions is complex and drawing significant capacity from corporate shared services. Due to the number and complexity of the issues and the transition to corporate shared services management of the issues has been challenging and could have been more robust. Arrangements are now in place to manage the flow of information from national sources to consistent points of contact and ensure that all pension issues are logged and progress of agreed projects is monitored on a regular basis.