

LOCAL PENSION BOARD

Report of the Head of Human Resources27th January 2016

PENSIONS UPDATE

1.0 Purpose of Report

- 1.1 To provide Members with information on scheme membership and progress on implementation of scheme changes.

2.0 Introduction

- 2.1 This report provides Members with scheme membership information, together with updates on the establishment or implementation of:

- Scheme Advisory Board
- Firefighters' Pension Scheme 1992 – Pension Ombudsman decision in the *Milne v GAD* case
- 2006 Firefighters' Modified Pension Scheme
- Industrial action Pension buyback
- Firefighters' Pension Scheme 2015
- Auto Enrolment
- Firefighters' Pension Scheme 1992 – Contribution Holiday
- Government Actuary's Department (GAD) Firefighters' Pension Schemes Valuation as at 31st March 2016

- 2.2 Information is also provided on pensioner re-employment and abatement, the process for obtaining pension forecasts and at Appendix A information from the contract with West Yorkshire Pension Fund for the delivery of a Firefighters' Pension Scheme & Payroll Service in regard to scope of work and service schedule

3.0 Schemes Membership Information

- 3.1 The following active memberships of the firefighters' pension schemes are taken from pay data as at 15th December 2015 for Retained Firefighters and 24th December 2015 for Wholetime Firefighters.

Firefighters' Pension Schemes Membership	Retained 15/12/2015	Wholetime 24/12/2015
1992	0	115
2006	27	4
2015	232	177
Retained Modified	38	8
Opted out	18	7

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- 3.2 The following table shows the active members as at 1st April 2015 including the numbers protected and tapered in the 1992 and 2006 schemes.

Firefighters' Pension Schemes Membership	Retained 01/04/015	Wholetime 01/04/2015
1992 Protected	0	81
1992 Tapered	0	45
2006 Protected	13	5
2006 Tapered	19	2
2015	194	163
Retained Modified Protected	24	8
Retained Modified Tapered	6	3

- 3.3 The following table shows the pension members of each scheme as at pension pay date 1st January 2016.

Pension Members	
1992	494
2006	12
2015	0
Retained Modified	23

- 3.4 The following table shows the deferred members of each scheme as at 1st January 2016.

Pension Members	
1992	23
2006	136
2015	0
Retained Modified	30

- 3.5 There is an Internal Dispute Resolution Procedure for dealing with any complaints, this can be accessed at:
http://www.wypf.org.uk/Member/Fire/Active/1992/IDRP/pdf/IDRP_Firefighters.pdf

In the past 5 years there have been 3 complaints; 2 at Stage 1 and 1 at Stage 2.

- Stage 1 – upheld: the pension had been underpaid.
- Stage 1 - not upheld: the deferred pension benefit statement was incorrect when the pension came into payment on the member reaching age 60; this was calculated correctly but was less than the benefit statement.
- Stage 2 Appeal - not upheld: the pension had been overpaid and the overpayment was required to be repaid.

4.0 Scheme Advisory Board

- 4.1 The Scheme Advisory Board (SAB) Member nominations have been made, but not yet appointed, the appointment of a chair has also not as yet been finalised. The transfer of responsibility for fire and rescue from the Department of Communities and Local Government (DCLG) to the Home Office may mean that these appointments are not imminent which also means that SAB will not be meeting formally at this time. SAB therefore cannot produce a work plan or advise Local Pension Boards of their reporting requirements.

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4.2 The cost of SAB was also to be met by the pension authorities, these are the fire and rescues' authorities, at this time we do not have an indication as to what these costs may be and this will be reported to the Local Pension Board meeting once they are made available.

5.0 Firefighters' Pension Scheme 1992 – Pension Ombudsman decision in the Milne v GAD case.

5.1 Members will recall that the Ombudsman concluded that the Scheme's commutation factors should have been reviewed in 2006 and that additional payments are to be made to members of the Firefighters' Pension Scheme 1992 who became entitled to payment of their pension between 1st December 2001 and 21st August 2006 and who chose to commute part of their pension lump sum.

5.2 All the individuals, to whom this applies, have been identified and calculations of the amounts owing made in accordance with GAD calculator and guidance from DCLG. Letters have been sent explaining the position and the amount owed, these payments are being progressed presently and all will be made by the 31st March 2016, through the bankers' automated clearing services. (BACS)

6.0 2006 Firefighters' Modified Pension Scheme

6.1 Implementation of this pension provision has meant that eligible retained firefighters could purchase past service in the 2006 Firefighters' Modified Pension Scheme based on what would have been their pensionable earnings had they been allowed to join the 1992 scheme.

6.2 This project commenced in March 2014 with a data gathering exercise to identify Retained Firefighters employed between 1st July 2000 and 5th April 2006 inclusive, their pensionable pay during that period, and the cost of their historic contributions to join the modified scheme calculated.

6.3 Letters were sent to all those identified as eligible giving them the option to join the modified scheme, the letter included the cost of purchasing their past service rights and their repayment options as follows:

- One off lump sum payment – including interest up to and including the date of payment of the lump sum.
- 10 year repayment plan – including interest up to and including the date of the last instalment.
- Retained Firefighters with immediate pension rights were allowed to offset the cost from any backdated pension and commuted lump sum owed.

6.4 The deadline for completion of this work was 30th September 2015 with the outcome being as follows:

- 623 eligible members identified and letters sent
- 168 requests received and quotations prepared and issued
- 124 eligible members joined the modified scheme, of which at the 30th September 2015; 30 were pensioners, 30 were deferred members and 64 were active members

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7.0 Industrial Action - Pension buyback.

- 7.1 Where a deduction of pay is made during periods of industrial action, no matter the duration on the day, there is a resultant loss of one full day of reckonable service; this provision is applicable within the regulations for all the firefighters' pension schemes. The schemes allow firefighters to buy back the lost service on the basis that they reinstate both their own and the employer's contributions.
- 7.2 During the period of industrial action 391 firefighters went out on strike and could have lost reckonable service, in September 2015 all these affected firefighters were sent details of the cost to reinstate their service, along with repayment options. The repayment options offered were to either make a one off payment or to pay in instalments to conclude all repayments in this financial year 2015/16; 187 out of the 391 have chosen to exercise their right. West Yorkshire Pension Fund is being provided with all the required information to ensure that individual's reckonable service is brought up to date.

8.0 Firefighters' Pension Scheme 2015

- 8.1 Statistics relating to membership in the 2015 scheme are contained later in this report. All those who did not have either full or tapered protection in the 1992 and 2006 schemes transferred to the 2015 scheme in April 2015.
- 8.2 Firefighters were notified that the new contribution rates could not be applied immediately as an upgrade of the Authority's Payroll System was required to allow for the implementation of the Firefighters' Pension Scheme 2015. The upgrade was completed in time for the new contribution rates to be adjusted from October 2015.
- 8.3 West Yorkshire Pension Fund is notified of starters, leavers and other movements affecting pensions and this also applies to those who reach their taper date.

9.0 Firefighters' Pension Scheme 1992 – Contribution Holiday

- 9.1 The DCLG has agreed to provide a contributions holiday to those regular firefighters who joined the service before the age of 20 and served for over 30 years before reaching the minimum retirement age of 50. These firefighters who serve after their 50th birthday will need to resume the payment of contributions if they chose not to retire at that point. The Firefighters' Pension Scheme Regulations 1992 are being amended to give effect to these changes, applied retrospectively to 1st December 2006. The DCLG are to provide more information and guidance on how this is to be implemented, particularly in regard to those who are due reimbursement.
- 9.2 At this time the Service is gathering the details of those who will be eligible, both current serving firefighters and those who have retired since 1st December 2006 in order that there is no unnecessary delay in implementation once the regulations have been revised and guidance received.

10.0 Auto Enrolment

- 10.1 The staging date for auto enrolment for this Service was 1st September 2013 and since then all new starters are auto enrolled. A decision was taken to modify the auto enrolment for all 'eligible jobholders', (at that time; age 22 to state pension age and earnings over £9,440 per year - now £10,000) by applying the transitional period up to 30th September 2017, this means that those firefighters who have all previously made a conscious decision not to join one of the pension schemes would not be auto

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enrolled until this date. There is the facility for anyone auto enrolled to opt-out immediately, however not before having a deduction from pay.

- 10.2 Auto enrolment is now a core process with information being passed to WYPF in order to set up the individual's pension record.

11.0 GAD - Firefighters' Pension Schemes Valuation as at 31st March 2016

- 11.1 GAD is now making arrangements to collect data from FRAs as part of the 2016 valuation of the firefighter pension schemes. This process will value the total liabilities of the 1992, 2006 and 2015 schemes as at 31 March 2016. This process will mean that detailed information on members of each of the schemes has to be provided, the guidance on the employer requirements is awaited however, it is anticipated, having considered the draft guidance the majority of the information required will be provided by WYPF. The deadline for submission of the data is 12th August 2016.

12.0 Pensioner Re-employment and Abatement

- 12.1 Abatement is the process of reducing or stopping a member's pension if a member retires and then returns to work in the public sector. Government policy is that pension payments should be abated where a member is re-employed in the public sector and receives a pension and salary which exceeds their earnings before retirement. Up until 1st April 2014 fire and rescue authorities only had the discretion to withdraw all or part of the pension of a Firefighters' Pension Scheme member employed as a regular firefighter, this amendment widened the authority's discretion to enable the abatement of a pension paid to a member of the scheme who is employed in any role by any fire and rescue authority. Where the authority exercises its discretion not to withdraw the payment in whole or part of the pension, there is a requirement for the authority that is paying the pension to pay into the pension fund the amount of pension that could have been subject to abatement under the scheme rules. In June 2014 this Authority resolved "That abatement be applied to any role to which a retiree from the Firefighters' Pensions Scheme is appointed."
- 12.2 As part of the selection and appointment process, any new starter is required to provide information relating to a public sector pension in payment in order to calculate and apply abatement as necessary. To date abatement has not been required.

13.0 Pension Forecasts

- 13.1 Pension benefit statements were to be produced on the basis of one per financial year, with effect from April 2016 it is a requirement of the 2015 scheme that these statements are produced by 31st August 2016 and then by this date each subsequent year. The timescales for the 1992 and 2006 schemes are not specified however, WYPF intend to use this August deadline for all statements.
- 13.2 Pension estimate requests come to Personnel from the individual via telephone call, email or in person. Personnel complete a pension estimate request form from the WYPF website, complete the form and within 10 working days supply the relevant personal and pay details to WYPF. See Appendix A: Service Schedule D1-9. The Personnel Advisor dealing with pensions keeps a file with the requested information and follows this up with WYPF. Statistics on this issue are being collated from January 2016 and will be reported to the next meeting.

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14.0 Recommendation

- 14.1 That Members note the content of this report and provide instruction as to what they require to be provided for the next meeting.

JAN SAMS

Head of Human Resources

15th January 2016

Background documents

Human Resources Update – Fire Authority Meeting June 2014

Contract with West Yorkshire Pension Fund

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APPENDIX A

Extract of Information from:

The service specification and schedule of work for the provision of the Administration of Fire-Fighters' Pension Schemes and Pensions Payroll

Overall Service Objective

To administer the Firefighters' Pension and Compensation Schemes by fulfilling the Authority's obligations under all relevant legislation, Firefighters' Pension Scheme Orders and Regulations in accordance with Department of Work and Pensions and HM Revenue and Customs requirements by maintaining systems and procedures for proper administration of the Schemes including calculation and payment of entitlements, the provision of advice and the maintenance of proper accounting arrangements.

Service Schedule

	Action	Time Limit	Responsibility
A.	New Entrants		
1	Issue Scheme Guide	1 month of new employee joining/following request from employer	North Yorkshire Fire and Rescue Authority
2	Advise Administrator employee has joined Scheme	1 month from date of employment / date of joining (submit starter details)	North Yorkshire Fire and Rescue Authority
3	Issue new starter with member pack including a transfer request form, death grant nomination form	1 month (usually issued during induction course)	North Yorkshire Fire and Rescue Authority
4	Create Contributor Record	As soon as practicable following information received from North Yorkshire Fire and Rescue Authority	Contractor
5	Investigate any possible transfer of pension rights	Within 10 days of transfer request form being received	Contractor
6	Confirmation of transfer details	Estimate / Confirmation to be supplied within 10 days of receipt of required information	Contractor

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	Action	Time Limit	Responsibility
B	Opting Out	Action within Two Months	
1	Following receipt of notification from employee issuing instruction to North Yorkshire Fire and Rescue Authority to cancel contributions	From next payroll period	North Yorkshire Fire and Rescue Authority
C	Changes during Employment	No Minimum Standard	
1	Record Change of Name	Update Pensions database within 10 days of receipt of information	Contractor
2	Record Change of Marital Status	Update Pensions database within 10 days of receipt of information	Contractor
3	Record Period of Absence	Update Pensions database within 10 days of receipt of information	Contractor
4	Record Period of Maternity Absence	Update Pensions database within 10 days of receipt of information	Contractor
5	Record Change in Rank	Update Pensions database within 10 days of receipt of information	Contractor
6	Record Change in Contractual Hours	Update Pensions database within 10 days of receipt of information	Contractor
D	Calculation of Benefits - Estimate Quotations	Minimum Standard 2 months for Provision of Estimates	
1	Supply relevant pay details to Contractor	10 working days from request received from Contractor	North Yorkshire Fire and Rescue Authority
2	Supply relevant personnel details to Contractor	10 working days from request received from Contractor	North Yorkshire Fire and Rescue Authority

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	Action	Time Limit	Responsibility
3	Preserved benefit	Issue statement to member within 10 days of receipt of all necessary information	Contractor
4	Transfer out	Issue statement to member within 10 days of receipt of all necessary information	Contractor
5	Ill Health	Issue statement to North Yorkshire Fire and Rescue HR within 10 days of receipt of all necessary information.	Contractor
6	Compulsory Early Retirement	Issue statement to requestor within 10 days of receipt of all necessary information.	Contractor
7	Normal Retirement	Issue statement to requestor within 10 days of receipt of all necessary information	Contractor
8	Late Retirement	Issue statement to requestor within 10 days of receipt of all necessary information	Contractor
9	Calculations and provision of information as required under Pensions on Divorce Regulations 2000	As specified in the Pensions on Divorce Regulations 2000	Contractor
E	Calculation of Benefits – Actual * Special Note - Payment of Lump Sum Benefits ** Special Note - Payment of Pension Benefits	*Lump sum payments made on due date **Pension benefits paid by first available payroll date Both subject to minimum notice from North Yorkshire Fire and Rescue Authority	Fire Authority to make lump sum payments on advice of Contractor Pensions paid by Contractor

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	Action	Time Limit	Responsibility
1	Supply relevant pay details to Contractor	10 working days from request received from Contractor	North Yorkshire Fire and Rescue Authority
2	Supply relevant personnel details to Contractor	10 working days from request received from Contractor	North Yorkshire Fire and Rescue Authority
3	Refund of contributions	Issue statement and details to North Yorkshire Fire and Rescue Authority to arrange payment.	Contractor
4	Preserved benefit	Issue statement to member within 10 days of receipt of all necessary information	Contractor
5	Transfer out	Issue statement and details to North Yorkshire Fire and Rescue to arrange payment	Contractor
6	Ill Health	Issue statement to member within ten days of receipt of information from North Yorkshire Fire and Rescue Authority	Contractor
7	Compulsory Early Retirement	Issue statement to member within 10 days of receipt of information from North Yorkshire Fire and Rescue Authority	Contractor
8	Normal Retirement	Issue statement to member within ten days of receipt of information from North Yorkshire Fire and Rescue Authority	Contractor
9	Late Retirement	Issue statement to member within ten days of receipt of information from North Yorkshire Fire and Rescue Authority	Contractor

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	Action	Time Limit	Responsibility
10	Payment of benefits and maintenance of records as required under Pensions on Divorce Regulations 2000	As specified in the Pensions on Divorce Regulations 2000	Contractor
F	Death (In Service/In Deferment/On Pension)	Minimum standard, as soon as practicable and, in any event, within two months	See E above for Payment arrangements
1	Obtain details of beneficiaries after advice of death of member	2 days from notification being received	North Yorkshire Fire and Rescue Authority – receive notification from a family member following deceased relative. North Yorkshire Fire and Rescue Authority then inform Contractor. Contractor is informed of death directly.
2	Calculate benefits due to beneficiaries	Within 5 days of receiving required information	Contractor
3	Notify beneficiaries where appropriate / Pay Lump Sum	Notify beneficiaries within 2 days of completing calculation Contractor to advise North Yorkshire Fire and Rescue Authority of lump sum to be paid. North Yorkshire Fire and Rescue Authority to make lump sum payment	North Yorkshire Fire and Rescue Authority to make payment/Contractor to inform North Yorkshire Fire and Rescue Authority of amount to pay
G	Provision of Pension Payroll Services	No minimum standard	
1	Record Benefit Entitlement: Retirement Pension, Pension Increase, GMP, PI on Post 88 GMP	Following receipt of complete and accurate information	Contractor
2	Calculate Gross to Net –		Contractor
3	Deduct Income Tax, Account for & Remit	Comply with HMRC Regulations	Contractor

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	Action	Time Limit	Responsibility
4	Hold Statutory		Contractor
5	Issue P60s	Comply with HMRC Regulations	Contractor
6	Process Tax Code Changes	Comply with HMRC Regulations	Contractor
7	Record Changes of Address	Pay slip sent on next payroll to new address	Contractor
8	Record Change of Bank Details	Pay slip sent on next payroll to advise pensioner that the bank details have been updated	Contractor
9	Calculate Entitlement to Dependants Benefits	See F, above	Contractor
10	Calculate Entitlement to Death Benefits	See F, above	Contractor
11	Process Death Benefits	See F, above	Contractor
H	Maintenance of Records	In accordance with regulations to enable calculation of benefits.	
1	Record Details of Accrued GMP	Within one month of information received from DWP	Contractor
2	Record Details of Pensionable Salary	As and when received	Contractor
3	Record Details of Employee Pension Contributions	Within one month of year end information supplied by payroll department	Contractor
4	Record Address Details	Within 10 days of information being supplied	Contractor
5	Production and submission of statistical reports as required by the CLG	In accordance with Statutory deadlines	Contractor to supply North Yorkshire Fire and Rescue Authority with the data to complete returns to CLG

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	Action	Time Limit	Responsibility
6	Copy of pension payments made to all pensioners including , widows and children	Monthly	Contractor
I	Purchase of Additional Service for members		
1	Calculate Cost of member Buying Added Years	Details supplied to member within 10 working days of receipt of request	Contractor
J	Injury Pensions/Gratuities* *Payment of Pensions/Gratuities	As specified in the Regulations.	
1	Supply relevant details of injury	Within 10 days of receipt of medical information	North Yorkshire Fire and Rescue Authority
2	Calculate Injury Pension/Gratuity	Within 10 working days of receipt of request	Contractor
3	Pay Injury Pension	From next available payroll following receipt of all required information.	Contractor to pay pension and inform North Yorkshire Fire and Rescue Authority of gratuity to be paid
4	Review/Recalculate Injury Pension	Within 10 days of receipt of details form North Yorkshire Fire and Rescue Authority	Contractor
K	Miscellaneous		
1	Mortality checks to ensure the eligibility of pension payments	As and when required	Contractor
L	Accountancy	As specified in the Regulations	
1	Preparation of reports to comply with Financial Reporting Standard 17 requirements	As agreed between North Yorkshire Fire and Rescue Authority and Contractor	Contractor