

LOCAL PENSION BOARD

Report of the Pensions Administrator / Manager

30 March 2020

PENSIONS UPDATE

1.0 Purpose of Report

- 1.1 To provide Members with information on scheme membership and scheme changes as well as training, governance and communication issues.

2.0 Introduction

- 2.1 This report provides Members with scheme information, together with updates on current issues and training.

3.0 Scheme Membership Information

- 3.1 The following active memberships of the firefighters' pension schemes are taken from pay data as at 14 February 2020 (for both Wholetime and On-Call Firefighters) and compared with active membership as at 22 November 2019 (15 November 2019 for On-Call Firefighters).

3.1.1

Firefighters' Pension Schemes Membership	Wholetime	
	14/02/2020	22/11/2019
1992	45	47
2006	2	3
2015	254	241
Retained Modified	5	5
Opted Out	14 (4.36%)	4 (1.33%)

- 3.1.2 The variations for wholetime membership are as follows:

- **1992 scheme** 2 retirements
- **2006 scheme** 1 member transitioned to the 2015 scheme
- **2015 scheme** 23 starters (WT recruitment, on-call staff on temporary WT or OSR posts)
1 member transitioned from the 2006 scheme
10 opt outs (9 being from November's auto re-enrolment)
1 leaver
- **Retained modified scheme** no movement

- **Opt Outs** 10 members have chosen to opt out of the 2015 Scheme since the 10 December 2019 Board meeting. The number of opted out members who are still in service amounts to 14 (or 4.36% of wholetime membership).

3.2

Firefighters' Pension Schemes Membership	On-Call	
	14/02/2020	15/11/2019
1992	0	0
2006	5	5
2015	295	297
Retained Modified	13	13
Opted Out	14 (3.79%)	20 (5.43%)

3.2.1 The variations for On-Call membership are as follows:

- **2006 scheme** no movement
- **2015 scheme** 17 starters (new employees)
2 opt outs (both being from November's auto re-enrolment)
17 leavers
- **Retained modified scheme** no movement
- **Opt Outs** 2 members have chosen to opt out of the 2015 Scheme since the 10 December 2019 Board meeting. The number of opted out members who are still in service amounts to 14 (or 3.79% of on-call membership).

3.3 The following table shows the retired members according to each scheme as at 18 March 2020 compared to 10 November 2019. All scheme pension membership continues to be split between pensioners and dependants.

3.3.1

Firefighters' Pensions Schemes Retired Membership	18/03/2020	10/11/2019
1992 (Pensioners)	435	437
1992 (Dependants – widow / partner / child pension)	85	83
2006	19	18
2006 (Dependants – widow / partner / child pension)	2	2
2015	9	9
2015 (Dependants – widow / partner / child pension)	2	2

Retained Modified	51	47
Retained Modified (Dependants – widow / partner / child pension)	0	0

3.3.2 The variations for members with a pensioner status are as follows:

- **1992 scheme** 2 retirement from active status implemented
2 deaths of a pensioner
- **2006 scheme** 1 retirement from deferred status implemented
- **2015 scheme** no movement
- **Retained modified scheme** 4 retirement from deferred status implemented

3.4 The following table shows the deferred members of each scheme as at 18 March 2020, compared to those as at 10 November 2019.

3.4.1

Firefighters' Pensions Schemes Deferred Membership	18/03/2020	10/11/2019
1992	31	30
2006	147	145
RDS Modified	27	29
2015	159	145

3.4.2 The variations in deferred pension members cover pensions that have come into payment, leavers and those who have opted out of the scheme (who don't qualify for a refund of their contributions).

4.0 Internal Dispute Resolution Procedure (IDRP)

4.1 There is an Internal Dispute Resolution Procedure for dealing with any complaints. Initial information can be accessed at:

<http://www.wypf.org.uk/Member/Fire/IDRP/InternalDisputeResolutionPro.aspx>

There have been no new IDRP applications since the previous meeting.

5.0 Pension Board Training Update

5.1 Additional training scheduled for Board members:

- Firefighters' Pensions AGM – 22-23 September 2020
- LGAs annual Pension Board training arranged for the 19 October 2020 Board meeting

Stuart Duncombe from WYPF was scheduled to attend to provide an overview of the 'MyPension' platform for members. He is working on providing this demo as a video file; once available, this will be shared with the Board.

6.0 Other Work Items

6.1 On 18 December 2018, the Case Management Hearing for the Firefighters' Pension Scheme took place to determine 'Remedy' for scheme members. Fire & Rescue Authorities were asked to identify:

6.1.1 Ill-health cases concerning individuals who transitioned to the 2015 scheme from either the 1992 or RDS Modified Scheme (either ongoing cases or determinations since 2015), where the outcome was either a declined application, or the lower-tier only was granted, these should be referred to the IQMP to be re-assessed on the 1992 scheme terms

North Yorkshire Fire and Rescue Service had 1: a previously declined application. Following advice from LGA, this case was referred to the IQMP and it was determined that the individual's condition is still unlikely to be permanent.

6.1.2 Members likely to retire between 1 January and 31 December 2020 (32 were identified); and

6.1.3 Members due to transition from the 1992 scheme to the 2015 scheme (which is currently continuing regardless: 5 were identified)

6.2 The numbers, and there 'claimant' status was emailed, as requested to LGA. None of the 38 individuals identify as claimants.

6.3 Although no communications for members has been received from the Home Office or LGA, FOA recently issued a circular to its members. This summarised current understanding very well: i.e. it explained the general proposals and confirmed there is no detail attaching to each. I forwarded this to LGA and asked whether a centrally-endorsed message could be prepared for circulating to scheme members. Until Fire & Rescue Authorities are given a form of words to communicate the latest, I think a message to members would be beneficial, even if it's along the lines of nothing material has been agreed to date. As it's been three months since the Case Management Hearing, a communication that states there's nothing firm to report might be beneficial, even if it quells any rumours. The Pensions Administrator / Manager previously emailed the membership on 20 December 2019 following the hearing.

6.4 Since the previous meeting, North Yorkshire County Council have refined the Payroll reports needed by the Pensions Administrator / Manager to submit monthly data to WYPF. These were signed-off as fit for purpose during January, with the separate v-lookup formula inserted so that a comparison between the addresses held on the payroll system against Firewatch can be made. Since the previous meeting it's become clear that a process already exists for addresses on the payroll system to be updated by the NYFRS payroll team (rather than NYCC). In some cases this has fallen down if address changes are advised to CAO by means other than the desired change form. Such differences are now being picked up by the Pensions Administrator / Manager and sent to the NYFRS payroll team accordingly.

Process notes have been written and returns from July – October have been sent during w/c 16 March. Based on how well this process now works, the Pensions Administrator / Manager envisages to be up-to-date by mid/late April (well before the due date required by WYPF).

Due to the progress that's been made since the December Board meeting, the Board are asked to consider amending the risk rating for Op1 to a post control risk score of 4.

- 6.5 The annual HMRC Event report was completed by the deadline of 31 January as was the quarterly HMRC Accounting for Tax before its due date of 14 February. Both deal with the reporting, and payment of tax, to HMRC in certain circumstances (such as annual allowance tax breach payments, and 'unauthorised' lump sum payments from the 1992 scheme).

As part of the administration function, WYPF undertake these tax duties for other clients. The Pensions Administrator / Manager will perform the necessary process to grant WYPF as our 'practitioner' so that they can do this work on our behalf in the future.

- 6.6 During March, the Pensions Administrator / Manager assisted the Head of Finance with providing, and reconciling, membership data needed for the Government Actuary's Department to undertake the pension disclosures for the annual accounts.

- 6.7 Active members of the RDS Modified section of the 2006 scheme, who elected to make their mandatory contributions over 10 years (rather than as a lump sum), had these deducted from pay (like their normal, ongoing contributions) and so tax relief was granted at source. Should these members leave service, they were – or should have been – given the option to continue paying the gross contribution via standing order. If they declined at outset, or ceased the standing order, then they are granted the proportion of what they originally set out to purchase.

There are currently 10 such former members continuing to pay their mandatory contributions via standing order. These individuals are entitled to tax relief on these gross contributions. The Pensions Administrator / Manager has devised a letter and certificate of contributions paid over the 2019/20 year to allow them to request tax relief of these payments. As this hasn't been done previously, the Pensions Administrator / Manager will also include previous years' contribution details to allow, hopefully, tax relief on these earlier years' payments to be claimed also.

- 6.8 Following the previous meeting, the Pensions Administrator / Manager filed a breach report to the Pensions Regulator in respect of the data breach that came to light in November 2019 (but as a result of the 2017/18 year end). A decision is still awaited.

The earlier-submitted breach report, however, concerning the delayed annual benefit statements for the RDS Modified members has been considered by the Pensions Regulator, and no further action will come of it.

- 6.9 2020s pre-ret seminar has been booked for 21 May at the Training Centre, with staff notified. The event is still going ahead so far as it has been considered essential training. This, of course, will continue to be monitored should matters deteriorate more than they already have. Should it proceed, it will be fully attended (25 individuals which includes partners / spouses).

All attendees are members of the firefighters pension scheme (the event was also open to Enabling staff). A representative from WYPF will deliver the pensions session for the majority (1992 members, albeit a few have transitioned to the 2015 scheme), with the Pensions Administrator / Manager delivering a separate session for the few who are members of the RDS Modified scheme.

- 6.10 The firefighters' pension schemes for North Yorkshire Fire and Rescue Service were audited by Mazars, the external auditor, during February and March, with the Pensions Administrator / Manager providing evidence and explaining certain processes – such

as the recent change involving WYPF now paying retirement lump sums direct to members – to the auditor. The outcome of the audit is currently awaited.

- 6.11 A proposed Annual Report of the Local Pension Board has been submitted separately, as an item for discussion.
- 6.12 During our previous meeting, Helen Scargill suggested that the report of the Pensions Administrator / Manager should include input from Payroll, as this would demonstrate good governance and give the Board comfort that the necessary checks and balances are in place to ensure people are in the correct scheme with the correct deductions being made.

For this first occasion, the Pensions Administrator / Manager has included the latest internal audit report (undertaken by Veritau) that evidences robust practices are in place. The one finding (where a long-serving firefighter who wasn't in the pension scheme wasn't notified to WYPF when he decided to join the scheme) will not happen again by virtue of the monthly postings process (when these are fully up-to-date).

Subsequent input from the Head of Finance will then touch on pension-related payroll aspects that have occurred since the previous report.

- 6.13 The recently-drafted Firefighters' Pension Scheme Discretions policy was ratified during December 2019, and circulated for consultation. The Pensions Administrator / Manager and HR Manager met with the FBU to clarify and, where reasonable, reconsider certain policy decisions. These suggestions are being reconsidered and will be referred back to the FBU once WYPF have had sight of them (as some of the discretions, in reality, are delegated to them as part of the day-to-day administration).

Once fully-endorsed, they will be finally adopted by the OFPCC and published (location and suitable wording still to be agreed). Future Board meetings will confirm where a discretion has been exercised by the Pensions Administrator / Manager.

- 6.14 Finally, for information purposes, Budget 2020 affected pensions by altering the tax allowance limits. The lifetime allowance, the maximum amount someone can accrue in a registered pension scheme in a tax-efficient manner over their lifetime, will increase in line with CPI for 2020/21, rising to £1,073,100.

The Chancellor also confirmed the standard annual allowance remaining at £40,000 but announced changes to the 'tapered' annual allowance that will take effect from 6 April 2020 (tapering only affects very high earners, but could be relevant to scheme members if they have additional income, say from property, or are members of other schemes in addition to the firefighters' pension scheme).

At Budget 2020, the government announced increases to the threshold income and adjusted income limits that members use to work out their tapered annual allowance (remember, WYPF can only perform annual allowance checks using the standard £40,000 as they won't know about other sources of income / scheme membership).

From 6 April 2020, the adjusted income limit will rise to £240,000 (increased from £150,000) and the threshold income limit will rise to £200,000 (increased from £110,000).

The Chancellor also reduced the minimum reduced annual allowance that members can have under the tapering rules from £10,000 to £4,000.

Remember, the annual allowance is the most a member can save in their pension schemes each year with the benefit of tax relief. Whilst the standard annual allowance is remaining at £40,000, high earners could see their pensions growth measured against a much lower allowance (potentially as low as £4,000).

This tapering of the annual allowance is applied depending on the individual's income within the tax year and applies to all pension savings that they make or that are made on their behalf.

7.0 Legislative update

There have been no new items of legislation relating to the Firefighters' Pension Scheme since the previous meeting.

8.0 Firefighters' Pension Schemes Bulletins Summary

Claims for refunds of National Insurance Contributions - FPS 2006 special members [also known as RDS Modified members]

In order to reduce the burden on FRAs with regards to providing information for these refunds to be made, we did agree with HMRC that only name, date of birth, NI number and period bought back needed to be provided.

[The Pensions Administrator / Manager will undertake this shortly. This should result in members buying retrospective benefits in this scheme reimbursement of some of their National Insurance because, had they been allowed to join the 1992 scheme – which the RDS Modified scheme is designed to replicate – they would have paid lower National Insurance as per the 1992 members due to the pension scheme being 'contracted out' of the additional state pension system].

Election to join FPS

Following a request from the Fire Communications Working Group (FCWG) an opt in form for members electing to join FPS outside of auto-enrolment has been produced. Please note that the form is based on our interpretation of the current regulations which give people eligibility to join FPS 2006 or FPS 2015 based on their date of birth and previous service.

[A version of this form will be available shortly on WYPFs website]

Public Service Pension Indexation and Revaluation 2020

On 25 February 2020, HM Treasury issued written statement HCWS123 to confirm that public service pensions will be increased from 6 April 2020 by 1.7 per cent, in line with the annual increase in the Consumer Prices Index up to September 2019. Revaluation for active members of FPS 2015 is applied in line with Average Weekly Earnings up to September 2019. The figure for the earnings element of revaluation is 4 per cent.

The Civil Partnership (Opposite-sex Couples) Regulations 2019

We reported in FPS Bulletin 26 – November 2019 on the introduction of the Civil Partnership (Opposite-sex Couples) Regulations 2019 [SI 2019/1458] As the new

legislation simply amends the definition of a civil partnership so that it is not limited to same-sex couples, the FPS regulations can be directly read to interpret that any reference to civil partnerships includes both same-sex and opposite-sex couples. No subsequent amendment of the FPS rules will be required.

9.0 West Yorkshire Pension Fund Key Performance Indicators

9.1 WYPF provides monthly reporting on administration matters and Key Performance Indicators (KPI). The latest KPI results are shown below.

9.2 There are no concerns to report despite the 'Transfer In Actual' failing its KPI. West Yorkshire Pension Fund have confirmed that, despite other work taking a priority, the member has not 'lost out' despite the time taken. This case concerns the time taken from receiving the transfer monies from the previous pension provider and applying the credited benefit to the pension record; the date of receiving the monies was still used, thus the correct level of benefit granted.

North Yorkshire Fire (1 to 29 February 2020)						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
Transfer In Actual	1	10	0	85	0	34
Deferred Benefits Set Up on Leaving	2	10	2	85	100	3
Pension Estimate	7	10	7	85	100	4
Deferred Benefits Into Payment of Lump Sum	2	3	2	85	100	2
Purchase of Service Quote	2	20	2	85	100	4
General Payroll Changes	2	20	2	85	100	1
Age 55 Increase to Pension	1	20	1	85	100	13
NI adjustment to Pension at State Pension Age	3	20	3	85	100	16
Life Certificate received	6	5	6	85	100	1
Death Grant Nomination Form Received	4	20	4	85	100	5
Initial letter Death in Retirement	1	5	1	85	100	1
Death in Retirement	1	5	1	85	100	1
Update Member Details	4	20	4	100	100	1

10.0 Recommendations

10.1 That Members note the content of the report and:

- consider the suitability of a communications update to members on Remedy
- consider amending the risk rating for Op1 to a post control risk score of 4; and
- approve the draft initial Annual Report for submission to the OFPCC and inclusion on the Service's Pension Board area of its website (paragraph 6.11)

David Hood

Pensions Administrator / Manager

30 March 2020

Background documents:

2015 Firefighters' Scheme Complaints and Dispute process:

<http://www.wypf.org.uk/Member/Fire/IDRP/InternalDisputeResolutionPro.aspx>

Annual Report

Pensions Risk Register

Pensions Risk Register Change Report

Veritau's Internal Payroll and Personnel Audit Report 2018/19

WYPFs March 2020 Monthly Report