

ROYAL BERKSHIRE FIRE AUTHORITY



COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE OF MEETING	27 JANUARY 2020
SUBJECT	PENSION BOARD – 6 MONTHLY REPORT
LEAD OFFICER	LINCOLN BALL – CHAIR OF PENSION BOARD
LEAD MEMBER	NONE
EXEMPT INFORMATION	NONE
ACTION	FOR NOTE

1. **EXECUTIVE SUMMARY**

- 1.1. To update the Audit and Governance Committee regarding the activities of the Local Pension Board (for all firefighter pension schemes) and relevant aspects of pension administration.
- 1.2. To enable the Committee to provide further direction, if required.

2. **RECOMMENDATION**

That Audit and Governance Committee:

- 2.1 **NOTE** the contents of the report including latest key updates, activities undertaken by RBFRS, the Pension Administrator and the Local Pension Board, since the last report.

3. **REPORT**

Background to the Local Pension Board

- 3.1 The Local Pension Board is a set up under the auspices of The Public Service Pension Act 2013.
- 3.2 The Board exists to assist the Fire Authority in its role as Scheme Manager for the various Firefighter pension schemes.
- 3.3 The Board consists of four members –two management representatives (Lucy Greenway and subject to confirmation by the Fire Authority at its February meeting, Mark Arkwell) and two scheme member representatives, currently from the FBU, (Lincoln Ball and Steve Collins).

3.4 The Board maintains and regularly reviews:

- Terms of reference
- Code of conduct
- Conflicts of interest policy
- Risk register
- Procedure for reporting breaches
- Register of potential and actual conflicts of interest

3.5 Given the significant knowledge requirements for Local Pension Board members, good practice indicates a minimum four-year term where possible for undertaking the role.

3.6 The Local Pension Board is also attempting to retain knowledge and aid succession by staggering the replacement of its members rather than losing all or most of its members at the same time.

Current Issues

3.7 Current firefighter pension issues are dominated by the national legal case in which the Court of Appeal determined in December 2018 that the manner in which the 2015 Firefighters Pension Scheme was introduced amounted to direct discrimination on the grounds of age. The particular area determined to be discriminatory by the Court of Appeal was the transitional provisions of the new pension scheme which facilitated the greatest protection to those members who were closest to retirement. A request from the UK Government for an appeal to the Supreme Court was turned down in June 2019.

3.8 Fire and rescue services were advised of the interim declaration on remedy on 18 December 2019. The exact wording was:

Pending the final determination of the issues of remedy, all existing Claimants who, by reason of their age would not satisfy paragraphs 12(2)(c), 12(3)(c), 13(e) or 14(e) of Schedule 2 to the 2014 English Regulations or the 2015 Welsh Regulations from 31st March 2015 are entitled to be treated as satisfying those paragraphs from that date.

3.9 The interim declaration is extant pending a 'final determination' which is expected in the second half of the 2020 calendar year.

3.10 On behalf of the scheme managers, the LGA immediately sought advice from the Home Office on how to implement the interim declaration and requested that advice to be provided before 21 January 2020. In particular, Home Office guidance was requested in relation to:

- Dealing with ill health retirements:
- Backdated employee contributions;
- Taper members due to transition from 1992 scheme from 21 January 2020; and
- Immediate normal retirements from age 50 with over 25 years' service.

- 3.11 A verbal update will be provided at the Audit and Governance Committee meeting.
- 3.12 From the start of the 2019/20 financial year, the Authority has faced a very steep increase in employer contributions to the Firefighter pension schemes. This is because the Government has made two changes to the discount rate used to estimate pension liabilities and also because there has been a breach in the cost cap in relation to the 2015 Scheme. The first change to the discount rate, costing £400,000, had already been built into our financial planning assumptions. The second change in the discount rate and the cost cap breach is costing the Authority £1.47 million annually. For 2019/20 and 2020/21, the Government has said it will reimburse the additional cost of £1.47 million but has not committed to funding this additional burden in future years.
- 3.13 There was no significant news during 2019 in relation to scheme valuation for the 2015 Firefighters Pension Scheme. Indications from the previous valuation were that accrual rates for the 2015 pension would increase fairly significantly as a result of the valuation. However, there is another valuation planned for 2020 and the UK Government has determined that until the liabilities relating to the Court of Appeal decision are more accurately known, accrual rates for the 2015 scheme will not be amended. However, that decision is now subject to a possible legal challenge.

Local Pension Board Actions

- 3.14 Since last reporting to the Audit and Governance Committee, the local Pension Board has formally met on one occasion. For transparency the action and decisions log for Local Pension Board meetings are published internally. Other meetings had been planned but cancelled due to calendar conflicts.
- 3.15 Board members have continued to meet and discuss matters informally and ad hoc as the need has arisen.
- 3.16 The Local Pension Board members review the monthly performance information provided by West Yorkshire Pension Fund (WYPF). The information provided includes an update on regulations and activities as they relate to these schemes. Any queries relating to Key Performance Indicators such as missed performance targets are addressed in contract meetings which Board members can and do attend and observe.
- 3.17 In order to help assure effective administration of the schemes, the Local Pension Board continues to work closely with managers within the Human Resources department reviewing information relating to services provided by WYPF, internal communications on pension matters and compliance with regulations.
- 3.18 The Local Pension Board has assisted the RBFERS HR department to complete a number of surveys, most importantly the statutory annual survey undertaken by The Pensions Regulator.
- 3.19 When the Board was first constituted it agreed informally to rotate the Chairmanship and Vice-Chairmanship periodically between scheme employer and scheme member representatives. Lincoln Ball took up the role of Chair in June 2019, replacing Doug Buchanan. Lucy Greenway was duly elected as Vice-Chair.

- 3.20 Board members continue to attend training provided in the main through the Local Government Association (LGA) and specifically via the national Scheme Advisory Board. The training ranges from scheme basics to more complicated tax, ill-health and compliance issues. Board members also undertake self-study through resources on the Pensions Regulator website and other online resources. The Board has a system for recording the training and development work they have undertaken.
- 3.21 The Local Pension Board regularly reviews the actions required of it, of the Scheme Manager and the administrators.
- 3.22 The main sources of information for the Board are:
- RBFRS Human Resources Department
 - Scheme Advisory Board bulletins and factsheets
 - The pensions administrators (WYPF) website and monthly reports
 - HMRC pension schemes newsletters
- 3.23 The annual report to the Audit and Governance Committee later in 2020 will provide more detailed facts and figures. However, The Local Pension Board can confirm to the Committee that:
- a) 98% of Annual Benefit Statements have been issued by the required deadline of 31 August 2019.
 - b) Pensions Savings Statements have been issued to those individuals potentially affected by the annual allowance threshold by the 6 October 2019 deadline.
 - c) The Pensions Regulator return was completed in December 2019.
 - d) The Annual Benefit Statement Survey return was completed in December 2019.
 - e) The compulsory 2019 Scheme returns have been completed for each of the Firefighter Pension Schemes.
- 3.24 The Local Pension Board risk register is reviewed quarterly and drafted amendments agreed formally at each formal Board meeting. Issues are considered by the Board and in the event of a significant issue which could constitute a breach or a threat to the scheme (in line with The Pensions Regulator guidance), these are reported accordingly.
- 3.25 Any breaches of material significance identified by the Local Pension Board (or indeed by the Scheme Manager or Administrator) are required by law to be reported to The Pension Regulator. The Local Pension Board has been informed of two potential breaches since the last report to the Audit and Governance Committee. The Board itself has not reported any potential breaches since the last report to this Committee although in previous years it has done so.
- 3.26 It is also worthy of note that the Scheme Administrator, WYPF, classed the data provided by RBFA with respect to the compulsory 2018 Scheme returns as high quality, when compared to other Fire and Rescue Services whose schemes they manage.

- 3.27 In November 2019 an audit of Firefighter Pensions Administration was undertaken with an outcome that the Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified area are suitably designed, consistently applied and operating effectively. The audit will be shared with Audit and Governance at its January 2020 meeting.

4. CONTRIBUTION TO STRATEGIC COMMITMENTS

- 4.1 Commitment 5 – We will ensure that Royal Berkshire Fire and Rescue Service provides good value for money.

5. FINANCIAL IMPLICATIONS

- 5.1 The Fire Authority currently makes an allowance of £100 per meeting available to each Local Pension Board member. However, not all board members currently choose to receive this allowance.
- 5.2 The Terms of Reference provide for:
- All reasonable expenses incurred by board members to be reimbursed upon production of a valid expenses claim.
 - Adequate resources for the board to fulfil its role including the provision of legal advice and training. The board will seek approval from the HHR&LD for such expenditure.

6. LEGAL IMPLICATIONS

- 6.1 The provision of the Local Pension Board is a requirement of the Public Service Pension Act 2013.

7. EQUALITY AND DIVERSITY IMPLICATIONS

- 7.1 No equality impacts were identified in relation to this report.

8. RISK IMPLICATIONS

- 8.1 The Committee should note that an improved pension administration service is in place and whilst, as a result of the complexity associated with firefighter pension administration, the potential for error cannot be eliminated. However, a number of measures are in place to reduce risk and provide ongoing assurance to the Service.
- 8.2 Although Pension Board Members continue to make use of available training in order to increase their knowledge and understanding in relation to their role, there is currently an element of risk whilst they are working to attain this.
- 8.3 Increased workloads of individual Board Members may impact negatively on training and function.

- 8.4 Failure to comply with the requirements of The Public Service Pension Act 2013 could result in reputational and financial loss.

9. CONSISTENCY WITH DUTY TO COLLABORATE

- 9.1 There is the potential for establishing joint boards with others, particularly other which share the same administration. This has not been progressed at this time due to the complexities with setting this up. Royal Berkshire and Buckinghamshire and Milton Keynes Fire and Rescue services currently share the same pension administrators and have worked, where possible, to align scheme discretions to enable the potential for this in the future.

10. PRINCIPAL CONSULTATION

- 10.1 The Chief Fire Officer has been consulted on the contents of this report.
10.2 The Chief Finance Officer has been consulted on the contents of this report.
10.3 The Monitoring Officer has been consulted on the contents of this report.

11. BACKGROUND PAPERS

- 11.1 None.

12. APPENDICES

- 12.1 None.

13. CONTACT DETAILS

- 13.1 Lincoln Ball, RBFRS Local Pension Board Chair, 07768 034 856
13.2 Lucy Greenway, RBFRS Local Pension Board vice-Chair, 07585 991 623