

ROYAL BERKSHIRE FIRE AUTHORITY



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| COMMITTEE | AUDIT AND GOVERNANCE COMMITTEE |
| DATE OF MEETING | 11 MARCH 2019 |
| SUBJECT | LOCAL PENSIONS BOARD – ANNUAL REPORT |
| LEAD OFFICER | LINCOLN BALL, VICE CHAIR OF LOCAL PENSIONS BOARD |
| LEAD MEMBER | NONE |
| EXEMPT INFORMATION | NONE |
| ACTION | FOR DECISION & NOTE |

1. EXECUTIVE SUMMARY

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

2. RECOMMENDATION

- 2.1 **AGREE** that future annual reports from the Local Pensions Board are reported to the Committee at the July meeting. This will facilitate financial and contract year-end information to be received and reported to the Committee.
- 2.2 **NOTE** the contents of the report including activities undertaken by RBFRS, the Pension Administrator and the Local Pensions Board, since the last report.

3. REPORT

Background to the Local Pension Board

- 3.1 The Local Pensions Board is a set up under the auspices of The Public Service Pensions 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 (Doug Buchanan and Lucy Greenway) and two scheme member representatives, currently from the FBU, (Lincoln Ball and Steve Collins).

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

Future Annual Reports

- 3.6 The Local Pensions Board invites the Committee to resolve that future annual reports to the Audit and Governance Committee occur at the July meeting in preference to the March meeting.
- 3.7 The Local Pensions Board rationale for this suggestion is to facilitate reporting after the financial year and Pension Administrator's contract year has ended.
- 3.8 Future planned reporting would therefore be:
- July Audit and Governance Committee – Annual Report,
 - December Audit and Governance Committee – Interim / Six-monthly report

Actions taken

- 3.9 Over the previous year the Local Pensions Board has formally met on three occasions. For transparency the action and decisions log for Local Pensions Board meetings are published internally.
- 3.10 The Board also meets informally and ad hoc should the need arise.
- 3.11 The internal firefighter pensions audit was undertaken in March 2018 and was reported to Audit and Governance in July 2018. No concerns were raised by the Pensions Board who are satisfied that the recommended actions resulting from the Audit are sufficient to address issues identified. All actions are now complete.
- 3.12 The Fire Authority is required to approve or confirm the appointment of the employer representatives on the Local Pensions Board at its annual meeting in June each year. This duly occurred on 28 June 2018.
- 3.13 In June 2018 the Local Pensions Board Chairman Tregear Thomas (a scheme member representative) resigned from the board and was replaced by Steve Collins.
- 3.14 When the Board was first constituted it agreed informally to rotate the Chairmanship and vice-Chairmanship periodically between scheme manager and scheme member representatives and on 20 August 2018 elected Doug Buchanan as Chairman and Lincoln Ball as vice-Chair.
- 3.15 Board members continue to attend training provided in the main through the Local Government Association (LGA). Additionally, there has been additional in-house pensions tax awareness training made available to staff and Local Pensions Board members have also attended this training in November 2018. Members of the Pensions Board have also attended the annual Pensions Conference organised by the LGA on 25 and 26 September 2018. Board members continue to 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.

- 3.16 The Local Pensions Board regularly reviews the actions required of it, of the Scheme Manager and the Pensions Administrator - West Yorkshire s Fund (WYPF). Information is received from the RBFRS Human Resources Department, the Local Government Association (LGA) Pensions Advisor (via bulletins and communication from the Scheme Advisory Board). Progress and achievement of deadlines are monitored accordingly.
- 3.17 The Board can confirm to the Committee that:
- a) Annual Benefit Statements have been issued by the required deadline of 31 August 2018.
 - b) Pensions Savings Statements have been issued to those individuals potentially affected by the annual allowance threshold by the 6 October 2018 deadline.
 - c) Prior to the 31 October 2018 deadline, the schemes' administrator (WYPF) provided information to HMRC on the reconciliation of the Guaranteed Minimum Pension (GMP) data for all scheme members who have reached State Pension Age since 2009.
 - d) Numerous official surveys and returns to a variety of organisations were required over the past twelve months including:
 - The Pensions Regulator return was completed in November 2018.
 - The compulsory 2018 Scheme returns which have been completed for each of the Firefighter Pension Schemes.
 - e) 'Mandatory Scheme Pays' payments to HMRC were resolved prior to the 6 Feb 2019.
- 3.18 The Local Pensions Board members review the monthly performance information provided by WYPF. The information provided includes an update on regulations and activities as they relate to these schemes. No concerns have been highlighted by the Local Pensions Board following these monthly reviews during 2018. Any queries relating to Key Performance Indicators are addressed in contract meetings and the Local Pensions Board updated accordingly.
- 3.19 The Local Pensions 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.
- 3.20 Any breaches of material significance identified by The Local Pensions Board (or indeed by the Scheme Manager or Administrator) are required by law to be reported to The Pensions Regulator. The Local Pensions Board has considered two potential breaches over the past twelve months. One was not determined to be a materially significant issue and therefore not reported whilst the other related to an historic issue which was felt should be reported whilst at the same time managed appropriately.

- 3.21 Where concerns or conflicts of interest are identified, clarification is obtained from appropriate bodies or individuals prior to any recommendations being made by the Local Pensions Board to the Scheme Manager.
- 3.22 Also during the past twelve months, tax awareness seminars, including one to one sessions, have been delivered to active members of the Firefighter Pension Schemes in order that awareness is raised of issues such as annual and lifetime allowances
- 3.23 In order to assure effective administration of the schemes, the Local Pensions 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.
- 3.24 It is also worthy of note that the Pensions 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.
- 3.25 There were three fairly significant Firefighter pensions events during the past twelve months:
- The Court of Appeal determined that the transitional provisions within the 2015 Firefighters Pension Scheme which relate to the firefighters who had been on the 1992 Firefighters Pension Scheme but who were not afforded full protection, amounted to direct age-related discrimination. HM Government and the Employers have petitioned the Supreme Court for leave to appeal and the matter remains unresolved.
 - Changes were announced in late 2018 to the 'discount rate' applied to fire service pensions from 2.8% above CPI to 2.4% above. Effectively, this means more needing to be paid into the schemes to achieve the same return upon retirement and the Fire Authority is being advised separately by the Head of Finance and Procurement.
 - At the same time as the 'discount rate' has been reduced leading to increased scheme costs, another 'valuation' exercise has identified that the 2015 Firefighters Pension Scheme costs have fallen significantly through the floor of the cost cap. This could potentially lead to a significant re-adjustment of accrual rates from the current 1/59.7th per year to 1/51.2nd per year. However, whilst the 1992 Scheme remains subject to a potential appeal to the Supreme Court, the Government has announced that the 'valuation' exercise will be put on-hold.
- 3.26 At the time of writing this report, the 2019 internal firefighters' pensions' audit is scheduled to be undertaken in the week commencing 18 February 2019. The Local Pensions Board may be in a position to provide a verbal update to the Committee meeting as appropriate.

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 Pensions 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 Pensions Board is a requirement of the Public Service Pensions 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 Pensions Board Members continue to make use of all 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 Pensions Act 2013 could result in reputational and financial loss.

9. CONSISTENCY WITH DUTY TO COLLABORATE

- 9.1 Whilst there is the potential for establishing joint boards with others that 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 Doug Buchanan, RBFRS Pensions Board Chair, 07887 830 207
13.2 Lincoln Ball, RBFRS Pensions Board Vice-Chair, 07768 034 856