



Firefighter Pension Schemes Local Pension Board

Date of meeting	Monday 3rd December 2018
Time of meeting	1pm
Location of meeting	Room FF33, First Floor, Kelvedon Park

Attendees:

Employer representatives:

David Bill, Assistant Chief Fire Officer (Chair)
Moira Bruin, Assistant Director of Prevention, Protection & Response
Sally Froment, HR Business Partner

Employee representatives:

Alistair Castle, FRSA
Alan Chinn-Shaw, FBU
Gavin Tripp, FOA (apologies)

Invited participants:

James Durrant, Pensions Manager
David Golding, Technical Analyst, Police and Fire Pension team, Essex Pension Fund
Michael Jerrison, Pensions Support Officer (apologies)
Glenn McGuinness, Assistant Director of Finance (delegated Scheme Manager) (apologies)

Observer:

Tristan Ashby, CEO, FRSA & Scheme Advisory Board representative

	Agenda item	Action
1	<p>Welcome, introductions and apologies</p> <p>Dave welcomed all to the meeting. Tristan Ashby from the Scheme Advisory Board was welcomed to the meeting and the Board members and invited participants introduced themselves.</p> <p>There were apologies from Gavin Tripp, Glenn McGuinness and Michael Jerrison.</p> <p>The meeting was declared as quorate.</p>	
2	<p>Conflict of interest declarations</p> <p>No new conflicts of interest were declared.</p> <p>Board members who are members of one of the Firefighters Pension Schemes previously completed a declaration. Whilst this does not preclude scheme members being a representative on the Board, these should be completed by members for the avoidance of doubt.</p> <p>James will send the declaration to any new representative who is a member of the pension scheme and the representatives should complete and return it.</p>	<p>Conflict of interest declarations to be provided to those eligible and have not yet completed one.</p>
3	<p>Minutes of last meeting</p> <p>Dave went through the minutes and action points from the last meeting on Tuesday 20th March 2018.</p> <p>The following action items were discussed:-</p> <p><u>Dave to feed back at next meeting following his discussion with a retired firefighter.</u></p> <p>Dave had not yet had the opportunity to complete this action, so will carry this forward to the next meeting.</p> <p><u>James to draft a workplan for the Board.</u></p> <p>This has been drafted and to be discussed under Agenda Item 6.</p> <p><u>James to draft KPIs for the Board.</u></p> <p>This has been drafted and to be discussed under Agenda Item 6.</p> <p><u>Comments from Board members should be passed to James by 14 September 2018.</u></p> <p>Comments were received which agreed with the contents of the report. The report was provided to SLT.</p>	<p>Dave to feed back at next meeting following his discussion with a retired firefighter.</p>

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	<p><u>James to pass the Board's recommendation to Glenn regarding Day Crew Pensions – Norman v Cheshire</u></p> <p>James discussed the recommendation to invoice the people who have not returned their form to collect the deductions.</p> <p>However, Glenn rejected the recommendation as we require a signed election to collect the payments. Instead, James will continue to send reminders.</p> <p><u>James to pass the Board's recommendation to Glenn regarding Day Crew Pensions – 18-20 Contribution Holiday update</u></p> <p>James discussed the recommendation to send a cheque to the person who has not collected their refund.</p> <p>Glenn also rejected the recommendation as we require a signed election to permit ECFRS to pay the tax charge on the person's behalf. Instead, James will continue to send reminders.</p> <p><u>James will send the link to the module.</u></p> <p>The link to the module 'Maintaining accurate member data' was sent to Board members on 5 September 2018 and a reminder on 22 November 2018.</p> <p>New Board members have been provided with the link to the training.</p> <p><u>Board members to complete the module on 'Maintaining accurate member data'.</u></p> <p>James has received 3 out of 6 screenshots of the completed module confirmation.</p> <p><u>Board to receive training on Transitional Protections at the next meeting.</u></p> <p>Please see Agenda Item 4.</p> <p>No points of accuracy were raised and the minutes were agreed as a true and accurate account of the meeting.</p>	
4	<p>Training Item – Transitional Protections</p> <p>David Golding gave a presentation on the transitional protection arrangements within the Firefighter Pension Schemes.</p> <p>David presented the common misconceptions about transferring to the 2015, such as:-</p> <ul style="list-style-type: none"> • that every transition member will be worse off under the 2015 Scheme, • that former members of the 1992 Scheme will lose the right to retire from 	

Agenda item	Action
<p>age 50 with 25 years' service once they join the 2015 Scheme.</p> <ul style="list-style-type: none"> • Service in the 2015 Scheme does not count when determining if a former 1992 Scheme member meets the eligibility criteria for claiming their 1992 Scheme benefits. • Members' 1992 Scheme benefits do not increase once they join the 2015 Scheme. • A member who retires after transitioning from the 1992 Scheme to the 2015 Scheme has their 1992 Scheme benefits calculated on their final salary at the point of transitioning. <p>13 members opted out of scheme membership on 31st March 2015, the day before the 2015 scheme came in force.</p> <p>Of those with FPS 1992 membership and still in service, 88 have full protection from the changes, 134 have tapered protection and 234 are unprotected, i.e. moved to the FPS 2015 on 1 April 2015.</p> <p>For the FPS 2006, 14 have full protection, 14 have tapered protection and 238 are unprotected.</p> <p>For the FPS 2006 Modified, 32 have full protection from the changes, 7 have tapered protection and 7 are unprotected.</p> <p>Essex have around 36% of active firefighters unaffected by transitional arrangements, whereby they either have, or only will have a single scheme entitlement because they either benefit from full protection or they have joined the service after 31st March 2015, and so will only ever have 2015 Scheme membership.</p> <p>Alan asked whether scheme members can opt out of protection. David replied that there is no provision for this in the regulations.</p> <p>David highlighted that protection must be taken into account when automatic re-enrolment comes around again, as the person may have to be enrolled into the FPS 2006, rather than the default FPS 2015. James reminded the Board that Essex's automatic re-enrolment is September 2019.</p> <p>David reported that there has been an increase in pension forecast requests, as there is more complexity.</p> <p>There are also outstanding technical queries because the intention of the regulations are not always clear.</p> <p>Dave reiterated that the 2015 scheme has caused lots of confusion. He recently discussed with another senior officer about when a FPS 2015 deferred pension can be brought into payment, as the person thought it was State Pension Age but it can be taken from age 55, with a reduction for the early payment. Dave also suggested that David can bring to the Board's attention any common questions that he receives.</p>	

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	<p>The Board then discussed annual allowance and lifetime allowances and the difficulties of finding a tax and/or financial advisor who can advise on this in relation to the Firefighter pension schemes. James advised that the Local Government Association are working on such guidance but this is taking some time to complete. The Board agreed that more needs to be done to help anybody affected or anybody who thinks they may be affected and suggested that more guidance should be made available on the intranet and contracts for promotions to Station Manager B or above. James will work with Sally on this.</p>	<p>James will make tax information available on the intranet & work with Sally to review the contracts.</p>
5	<p>Valuation results</p> <p>James updated the Board on the outcome of the 2016 valuation of the Firefighter Pension Schemes.</p> <p>The purpose of the valuation is to:-</p> <ol style="list-style-type: none"> 1) Calculate employer contribution rate to apply from April 2019 to March 2023, and 2) Measure against the employer cost cap. <p>The cost cap is a baseline cost was established at the 2012 valuation being 16.8% of pensionable pay, which equates to the employer's share of the cost of the 2015 Scheme. Assessment of the cost cap is made at the valuation, then compared with the 16.8% of pay to see if it is within 2.0% of this figure. If it is outside of the 2.0%, changes must be made to the scheme.</p> <p>The Firefighters' Pension Scheme 2015 in England has breached the cost cap floor by 5.2% from the target cost cap of 16.8%. This means that the scheme design must improve for the benefit of scheme members.</p> <p>Also, there will be a significant increase in employer contribution rates from their current levels. There will be additional funding available from HM Treasury, in the first year to cover most of the increase in the employer's cost; after this the additional cost will be considered alongside other funding pressures as part of the comprehensive spending review.</p> <p>The final employer contribution and build-up rate will not be known until the SAB and the Home Office have reached agreement. SAB have to respond to the Home Office on 5 December. The Home Office then have ten days to provide an alternative option if the SAB's proposed option is not accepted.</p> <p>If agreement cannot be reached following this, there will be a period of three months during which the Home Office will continue to engage with the SAB to attempt to agree a consensus position.</p> <p>If a consensus position is not reached within that three month period, the default mechanism is to improve the build-up rate for the FPS 2015.</p> <p>GAD have advised that the default build-up rate would be 1/51.2 in order to fully rectify the breach. This is an improvement from the current build-up rate of 1/59.7.</p>	

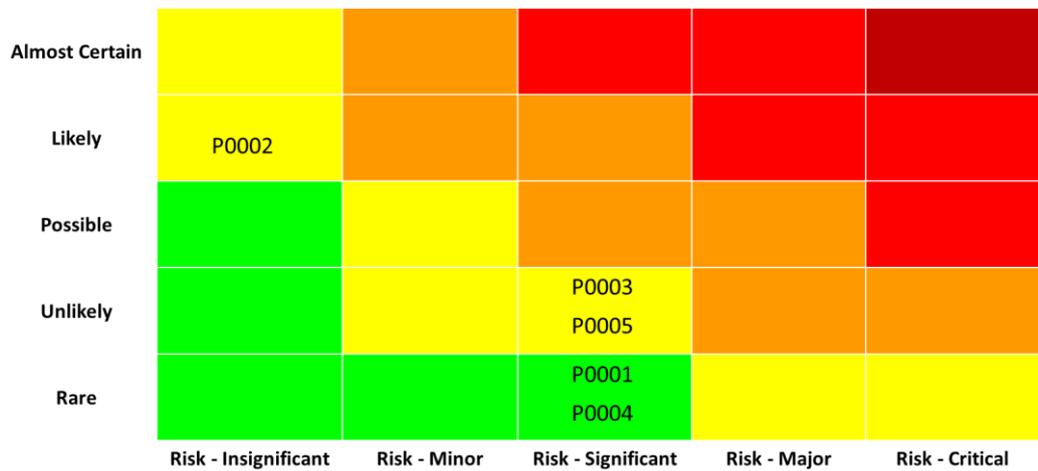
	Agenda item	Action
6	<p>Draft workplan & KPIs</p> <p><u>Work-plan</u></p> <p>At the previous meeting of the Board it was agreed that a work-plan should be drafted. This followed the recommendation from the Local Pension Board effectiveness survey:-</p> <p><i>“Development of a work-plan would allow boards to set their priorities and objectives for the year, and also give a basis for measuring progress.”</i></p> <p>James presented the work-plan, which explains the areas of work that the Board should look at through 2019.</p> <p>Board members agreed to the plan.</p> <p><u>KPIs</u></p> <p>Also, at the previous meeting of the Board it was agreed that Key Performance Indicators for the Board should be drafted. This followed the recommendation from the Local Pension Board effectiveness survey:-</p> <p><i>“It is important for boards to be able to measure and demonstrate their success, due to the tremendous amount of hard work and dedication existing within these local arrangements that should be acknowledged. The Committee therefore recommends the development of agreed success measures and KPIs.”</i></p> <p>James had previously asked the Local Government Association whether the Scheme Advisory Board could recommend any KPIs for Boards. SAB did not wish to set these as they wished for Boards to make their own local arrangements that worked for them.</p> <p>Board members were asked to review the proposed KPIs for the 2018/19 year.</p> <p>The Board suggested a target for training, that each member should complete all Pension Regulator modules over a 2-year period. The Board agreed to this addition as well as the other KPIs.</p>	
7	<p>Review of Risk Register</p> <p>Following the audit of the Authority’s risk management, the Risk & Continuity team asked all Risk Owners to have a Risk Review before 31 December 2018.</p> <p>The Pension Risk Register has had its review. The delegated Scheme Manager has asked the Pension Board to assist with the review of the risk register. Any feedback and comments will then be discussed with Glenn and the Risk & Continuity team for sign-off.</p>	

Agenda item	Action
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The Pension Risks are:-

- P0001 - Loss, disruption or damage to records or systems.
- P0002 - Incomplete or inaccurate record keeping.
- P0003 - Administration Failure / Maladministration.
- P0004 - Increased Costs to Essex Fire.
- P0005 - Regulatory and Compliance failure.

As at March 2018, the pension risks were assessed as follows:-



The following have impacted on the pension risks:-

P0001 - Loss, disruption or damage to records or systems.

- Cyber attack added to Triggers/Sources (as per TPR recommendation for all schemes).

P0002 - Incomplete or inaccurate record keeping.

- The GMP reconciliation has highlighted no issues, whereas previously it was not known whether there would be any issues.
- An active delegation of the Scheme Manager responsibilities are in place and regular monthly meetings are held with the Authority's pension manager.

P0003 – Administration Failure / Maladministration.

- The Pension Board has been fully recruited to.
- Regular Bulletins are received from the Local Government Association Fire Pension Advisor.
- There are regular meetings and communication between the Authority and their pension administrators.

P0004 - Increased Costs to Essex Fire.

- Norman v Cheshire payments have been corrected.
- There is a potential for large increase in employer costs (see Agenda item 6), but Essex's exact share is not yet known.

P0005 – Regulatory and Compliance failure.

- Potential liability depending on outcome of HMRC's review of PAYE treatment for Modified scheme across all Authorities. No news yet on this.

Agenda item	Action																																				
<p>Following the risk review, the register was updated as follows:-</p> <table border="1" data-bbox="159 197 1228 672"> <tr> <td>Almost Certain</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Likely</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Possible</td> <td>P0002 P0004</td> <td>P0005</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Unlikely</td> <td>P0003</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Rare</td> <td></td> <td></td> <td>P0001</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Risk - Insignificant</td> <td>Risk - Minor</td> <td>Risk - Significant</td> <td>Risk - Major</td> <td>Risk - Critical</td> </tr> </table> <p>Dave recommended that P0004 should have a higher score as we do know that there is an increase of £300k for employer contributions for 2019/20. James will take this recommendation to Glenn and the Risk & Continuity team. No further comments were received.</p>	Almost Certain						Likely						Possible	P0002 P0004	P0005				Unlikely	P0003					Rare			P0001				Risk - Insignificant	Risk - Minor	Risk - Significant	Risk - Major	Risk - Critical	
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<p>8 Update on Guaranteed Minimum Pension reconciliation</p> <p>David updated the Board on the progress of the GMP reconciliation.</p> <p>The reconciliation is split by the Scheme Contracting Out Number (SCON). For the FPS 1992, 1339 records have been fully reconciled. There are 7 stalemate cases, 5 of which they cannot trace a record of the people every being members of the Firefighter's pension scheme. However, there is no actual GMP liability so there is no risk of having to pay individuals that we don't know who they are, a pension. The other 2 cases are where we believe there should be a GMP liability but HMRC say there is not.</p> <p>For the FPS 2006, including the Modified Scheme, and the FPS 2015 which all have a shared SCON, 758 cases have been reconciled and 1 is outstanding. This is where we should have a GMP liability as the person transferred in a previous pension with a GMP, but HMRC are saying there is no liability.</p> <p>HMRC will accept further queries and so David will try to reconcile the stalemate cases.</p>																																					
<p>9 Update from Pensions Manager:-</p> <p>James gave the update from the Pensions Manager.</p> <p><u>a) Day Crew Pensions – Norman v Cheshire</u></p> <p>1 person has responded and deductions will begin in December's pay. There is now 1 remaining reply still required from an active employee. Advice from delegated scheme manager to continue to chase.</p> <p>Payments to pensioners are being made. Out of 20 pensioners, 18 have</p>																																					

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<p>claimed their payment. The 2 remaining pensioners have been written to again.</p> <p><u>b) 18-20 Contribution Holiday update</u></p> <p>There remains one person who has not claimed their payment. The person only needs to fill out a form and return it to James. The Board had previously made contact with the individual, but the form has still not been returned.</p> <p>Most recent reminder letters were 2 October and 16 November 2018.</p> <p>James will continue to chase.</p> <p><u>c) Scheme Return to the Pension Regulator</u></p> <p>Scheme Managers are required by law to provide TPR with certain information about their Scheme by submitting a Scheme Return. Our scheme return was submitted on 2 November 2018, which is before the deadline of 6 November 2018.</p> <p>For the first time, TPR asked for information on the last time that schemes' measured their data score and whether they have carried out a data improvement plan. ECFRS' do not currently have the software in place, so were unable to submit a data score.</p> <p>TPR are expecting low scores, or schemes to have not measured their data, but will expect improvements to be made by the next scheme return (Nov 2019). ECFRS will work with EPF during 2019 to calculate the data score and draw up a data improvement plan.</p> <p>Dave suggested that Data should be added as a future agenda item and to the work plan.</p> <p><u>d) Administration and Benchmarking survey</u></p> <p>Aon have been commissioned to undertake the review by the Scheme Advisory Board (SAB), to help them establish a measure of the cost and effectiveness of administration and management within the schemes.</p> <p>Aon are in the process of finalising the scheme member survey which will soon be available to complete online. They expect this to be live within the next few weeks. ECFRS will publicise this in the weekly e-brief so scheme members can feedback on their experience of being a scheme member.</p> <p>Board members are asked to assist to encourage responses.</p> <p>Once this is available Dave suggested a meeting with himself James and a representative from the Communications team to discuss publicising this.</p>	<p>Data to be added to the agenda and work plan</p> <p>Dave, James & Comms to discuss promoting the survey</p>

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	<p><u>e) Change in SCAPE rate – change to factors</u></p> <p>Due to the change in the SCAPE rate, factors have had to be reviewed by the Government Actuary Department (GAD).</p> <p>The new commutation lump sum factors have already been released, but other factors such as CETVs (e.g. for transfers of pension rights and for divorce) have not, meaning cases are currently suspended.</p> <p>New factors are expected soon as the Local Government Pension Scheme have already had some of theirs.</p> <p>Dave asked if there was anything from the Regional meeting that the Board needs to be aware of. James replied that there was nothing of importance at the last meeting of 29 November 2018 that was not being discussed here.</p>	
10	<p>Update on training/training plan</p> <p>At the last meeting the board agreed to complete the Pension Regulator's module '<i>Maintaining accurate member data</i>'.</p> <p>As the next board meeting will take place in March and there will be changes to employer contribution rates in April and possibly employee rates too, James suggested that the next module should be the one on '<i>Maintaining member contributions</i>'. The Board agreed. James will email the link to the module.</p> <p>James then asked if there was anything that the Board would like for their training session to be held in March's meeting. Alan would like the training session on the Modified scheme. Moira would like an introduction to all schemes as well. The Board agreed with this and David will present an overview of the Firefighter schemes followed by training on the Modified scheme at the next meeting in March 2019.</p>	<p>James will send the link to the module.</p> <p>Board members to complete the module on '<i>Maintaining accurate member data</i>'.</p>
11	<p>Any other business</p> <p>There was no other business and the meeting was closed.</p>	
12	<p>Date of next meeting</p> <p>The next meeting is on Wednesday 6th March 2019 at 1pm in meeting room FF41 at Kelvedon Park.</p>	