

NORTHUMBERLAND COUNTY COUNCIL

Firefighters' Pension Scheme (FPS) Local Pension Board

At a meeting of the **FPS Local Pension Board** held at County Hall, Morpeth on Tuesday, 16 April 2019 at 10.30 a.m.

PRESENT

S Richards
(Chair, in the Chair)

SCHEME MEMBER REPRESENTATIVE

Tiffin, G

EMPLOYER REPRESENTATIVES COUNCILLORS

Robinson, M

Swithenbank, ICF (Vice-Chair)

OFFICERS IN ATTENDANCE

C Gorman (CG)

Principal Accountant (Pensions) -
Project Officer

A Lister (AL)

Board Secretary

H Scargill (HS)

Client Relationship Manager
(WYPF)

N Turnbull (NT)

Democratic Services Officer

Definition of Terms

ABS	Annual Benefits Statement
CARE	Career Average Revalued Earnings
Common Data	E.g. name, address and date of birth, held for pensions processing
FPS	Firefighters' Pension Scheme
FRA	Fire and Rescue Authority
GAD	Government Actuary's Department
GMP	Guaranteed Minimum Pension
HMRC	HM Revenues and Customs
HMT	HM Treasury
IDRP	Internal Dispute Resolution Procedure
LPB	Local Pension Board
SAB	Firefighters' Pensions (England) Scheme Advisory Board
Scheme Manager	The Scheme Manager (a function not a person) is responsible for managing and administering the scheme
Scheme Specific (Conditional) Data	E.g. employment record and contribution history held for pensions processing

Ch.'s Initials.....

1. Apologies

There were no apologies.

2. Consideration (Declaration) of Conflicts of Interest

The Chair informed Board members that they would need to consider whether they had a conflict of interest arising from any of the agenda items to be discussed at each meeting. None were declared.

3. Minutes of the FPS Local Pension Board

It was noted that the minutes of the meeting of the Firefighters' Pension Scheme Local Pension Board, held on Thursday 23 October 2018, had already been adopted and signed by the Chair as a true record (in accordance with the Board's terms of reference), and were received for information.

4. Chairs' Briefing

The Chair highlighted the following:

- He had met with the decision makers for the Scheme Manager, Alison Elsdon, Section 151 Officer and Paul Hedley, the Chief Fire Officer. Their discussions had included the annual report and attendance at meetings.
- Attendance at the NCC FPS Local Government Association (LGA) Annual Training event which was extremely beneficial. Presentations had been given by Clair Alcock and Claire Hey who were incredibly knowledgeable.
- The annual report was in the process of being written and would follow a similar format to the previous year with updates to the statistical data and issues that had been considered throughout the year.

5. Reports of the NCC FPS Scheme Manager

Members of the FPS Local Pension Board received a copy of the following reports (copies of which are filed with the signed minutes and marked as Item 5):

(a) Breaches in the quarters to 31 December 2018 and 31 March 2019

(b) Recording breaches re injury payments

Items 5a and 5b were considered together.

It was noted that there had been one new breach within the identified period as a result of checks undertaken on injury pensions by WYPF following the transfer of the administration of the service from NCC.

Whilst it was noted that the individual pensioners in the three cases had not informed NCC of relevant changes in circumstances the reaction to discovering the breach by WYPF was quick action to correct the over/underpayments. The Board noted that the process at WYPF which involved a check every three years, would mean that a similar breach would be unlikely to recur in the future. There were also arrangements in place to review all injury pensions if there were any national changes.

The Board **agreed** that the breach was not reportable.

(c) Scheme administration, complaints, appeals, IDRPCs

There were none.

6. Monthly Client Report for NCC from WYPF

Members of the FPS Local Pension Board received a copy of the following reports (copies of which are filed with the signed minutes and marked as Item 6). Standard headings within the reports included: Regulations, Member Issues, Administration Update including Member Web registrations, Key Performance Indicators (KPIs) and Membership Numbers.

- a) October 2018
- b) November 2018
- c) December 2018
- d) January 2019
- e) February 2019
- f) March 2019

AL drew the Board's attention to WYPF's policy on automatic write off for the recovery of overpayments which had changed from 1 March 2019 from £50 to £100.

AL agreed to send each of the WYPF Monthly Client Reports for NCC by email to Board members as he received them, starting with the report for April 2019. They would also still be included in future LPB papers.

7. WYPF Report to NCC's FPS LPB on 16 April 2019

A copy of the report was tabled at the meeting.

HS provided a detailed summary of her report which included:

- Details of regional group meetings,
- Implementation of scheme factor changes

- FPS Bulletins 17 and 18
- Monthly client reports
- Amendment to regulations
- Administration and Benchmarking Survey
- Administration Provider of the Year award
- Completion of HMRC Event Reporting
- Pensions Savings Statements / Annual Allowance completed by 6 October 2018 deadline
- GMP Reconciliation - outstanding query now resolved and HMRC records amended. Further report expected from HMRC in May / June 2019 to identify error mismatches.

Officers outlined the process for resolving GMP liability when individuals reached state pension age.

- KPI Report

Information was provided for NCC and all WYPF clients for the quarters ending 31 December 2018 and 31 March 2019. Areas where targets had not been met were highlighted and discussed as follows:

Requests for pension estimates had increased following the issue of ABS. The increase was understood to be due to additional information having been provided by previous administrators in addition to that contained within the LGA template. Additional information was to be provided in the future which would hopefully reduce the number of pension estimate requests.

Prioritisation of other work resulted in a delay for deferred benefits when there had been a backlog. Three new Pensions Officers were now in post leading to an improvement in results from March 2019. Two additional Senior Pension Officers were in the process of being recruited.

Withdrawal of GAD factors resulted in delay for divorce quotes until new GAD factors had been issued.

- Data Scores

The data scores were provided as at 25 February 2019. Separate common and conditional scores were provided for the 1992, 2006 and 2015 schemes. A copy of the draft Data Improvement Plan was tabled at the meeting which outlined how and where improvements were required, priority actions and deadlines. The tPR guidance to measuring data was to be included alongside the final NCC Data Improvement Plan to provide context.

Areas already identified where significant improvement would be made with an IT bulk fix included 'missing or bad expected retirement date' which was 1 day in advance of retirement birthday dates, and also

'missing final FS annual rate'. Some other areas would require a manual review.

The 2019 data scores provided a baseline for comparison in the future by the tPR although the results were to be reviewed on a quarterly basis.

The Board discussed the tracing process for members with missing addresses and fraudulent payments when family members continued to receive benefits after the death of a member. WYPF participated in the National Fraud Initiative and also required submission of life certificates via skype.

8. Minutes of WYPF quarterly client meeting held 16 January 2019

The Board received the minutes of the quarterly client meeting held on 16 January 2019.

AL reported that the Senior Accountant had provided information required by HMRC.

9. Update from WYPF quarterly client meeting held 10 April 2019

The Board Secretary highlighted a number of points from the above meeting, including:

- Data Improvement Plan
- KPIs and recruitment of additional staff
- HMRC and GMP reconciliation
- Change of write-off policy for overpayments increased to £100 with effect from 1 March 2019.
- County Durham and Darlington FRS to become a WYPF client from 1 October 2019.

HS confirmed that Northumberland's annual return had been received the previous day ahead of the deadline of 19 April 2019.

10. Minutes of North East Region Fire Pension Officers Group meetings held 27 September 2018 and 19 February 2019

The Board Secretary referred to discussions from the above meeting, including:

- Anticipation that legislation changes would require four meetings per year at some point in the future,
- Expectation that board members complete the tPR toolkit training,
- Valuation outcome,
- Cost cap breach analysis, and
- Introduction of £95k exit payment cap consultation although limited impact in fire schemes.

11. Board to consider actions identified by the Scheme Advisory Board

The Board **noted** that confirmation had been received from HS / WYPF that all SAB necessary action had been taken and factors applied.

12. TPR public service Governance and Administration survey 2018

A copy of tPR Public Service Governance and Administration Survey 2018 was provided for information. The response had been agreed with the Chair prior to submission. Any comments made by Members following the meeting would be taken into account prior to submission of the next annual survey.

13. TPR Scheme returns 2018

AL confirmed that tPR returns had been completed by WYPF for the 1992, 2006 and 2015 schemes by the deadline.

14. Recent press articles regarding firefighters and judges pension age discrimination case

AL provided an update on the background of the firefighters and judges age discrimination case. A ruling by the Court of Appeal in December 2018 had found that the two cases were similar despite different decisions being made at the respective Employment Tribunal hearings. The Government had sought leave to appeal to the Supreme Court and a decision was expected imminently. If granted, that appeal case will not be heard for several months. If the appeal is not granted or if Government is unsuccessful, the court will require steps to be taken to compensate FPS members who were transferred to the new FPS scheme, which will be a lengthy process.

15. High court pensionable pay judgement re temporary pay

The Board received an update on a High Court decision regarding the interpretation of 'temporary' allowances within regulations as to whether it should be included within pensionable pay.

HS recommended that no changes were made until it was known whether the Mid and West Wales Fire and Rescue Authority intended to appeal the decision. She also stressed that the decision as to whether an allowance was temporary would be dependent on the wording used in contracts and referred to the principles in the Norman v. Cheshire FRA and Blackburn cases.

HS suggested that each organisation prepare a chart on allowances and the decisions made in respect of each in preparation for a future review to assess the impact of the recent decision.

16. Changes to the cost of the Firefighters' Pension Scheme

Copies of GAD Technical Bulletins were circulated which provided an overview from the Treasury of the actuarial valuations of the public service pension schemes and an indication of the likely consequences of valuations on member benefits and employer contribution rates.

AL highlighted the following:

- The purposes of actuarial valuations which was to measure the costs of a scheme against a target 'the employer cost gap' and to set the employer contribution rate. Forecasts of future life expectancy had also reduced, reducing the cost of future pension payments.
- The 2018 Budget stated that public service pension benefits needed to be made more generous from 2019/20.
- Correspondence from the National Fire Chiefs Council to the Treasury outlined the impact of Valuation Directions which would increase employer contribution rates from 17.6% to an expected 30.2%.
- The change in the SCAPE discount rate would place additional pressure on employers.
- NCC was in receipt of a grant of £766k in relation to the employer pension cost increase which does not cover the increased employer costs in part because of the proportion of members of the more expensive 1992 scheme at NCC.
- This assistance was being given by Government for the first year and would be taken into consideration in the Comprehensive Spending Review.

17. Employer and employee contribution rates effective from 1 April 2019 and GAD factor changes effective from 29 October 2018

The Board received copies of correspondence from GAD, the Home Office and Firefighters' Pensions England SAB to confirm:

- Employer contribution rates payable from 1 April 2019 for 1992, 2006 and 2015 schemes.
- The impact of the change to the SCAPE discount rate.
- Employee contribution rates.

AL reported that Appendix 2 of the FPS SAB Bulletin 18 had been updated to correct an error. The employer contribution for the 1992 scheme should read 37.3% and not 32.2%.

18. 2016 Valuation HMT written ministerial statement announcing a pause in the cost cap process

The Board noted that, due to the uncertain impact of the age discrimination case (i.e. the McCloud judgement), HMT was pausing the cost control mechanism, as the value of current public service pension arrangements could

not be assessed with any certainty. It was provisionally estimated that the judgement could cost around £4 billion per annum across all of the public sector pension schemes.

CG confirmed that they would be discussing the potential increase in IAS 19 liabilities for the 31 March 2019 financial statement with the actuarial advisors and auditors to agree wording for a note in the accounts.

Board members discussed the implications and lack of understanding by many in Government regarding the difference between funded and unfunded schemes. Information was awaited on whether the Government would appeal to the Supreme Court and possible compensation to employees placed in transitional schemes.

19. FPS Scheme Advisory Board's request for information on opt out levels

The Board received a copy of the response submitted to the SAB survey on opt-out rates from the scheme and effect on retention and recruitment. The survey would provide quantitative data to support discussions with the Home Office to improve the management of the schemes, provide choice and flexibility and encourage continued participation in the FPS.

20. Home Office consultation on amendments to benefits in the Firefighters' Pension Scheme

The Board received a copy of the Home Office consultation on amendments to benefits in the FPS 1992 and the Firefighters' Compensation Scheme 2006.

HS confirmed that the regulations had now been amended with effect from 1 April 2019 as per the proposals contained within the consultation with regard to the removal of April 1988 from the calculation of survivors benefits which would now be based on length of service.

A discussion at the last quarterly client meeting had agreed that the change was not material and did not require a separate notification exercise to comply with the 3 month requirement in the regulation, as it was not a new benefit simply a change in the method of calculation. Notification was to be included in the pay advice to all pensioners in May and newsletter to active members. Further consideration would be given to notification to deferred members as it was too late for inclusion in the ABS which were ready to be issued, however information would be included in future years statements. A review would be carried out of any members in receipt of payments or new deaths. It was **agreed** that the final decision would be communicated to the Board via the monthly report.

21. FPS Scheme Advisory Board's employers "benchmarking" survey conducted by Aon

A revised response to the Aon FPS Employer's Survey was tabled at the meeting.

CG explained that the purpose of the survey was to gather information for the Home Office about the costs of administering the FPS. After further consideration, more detail had been included in the response for questions 5, 12, 13 and 19 regarding provision of external support and the time and cost of other functions within the Council that provide support to the Board.

22. Home Office Fire and rescue workforce and pension statistics 2017/2018

The Board received a copy of the Home Office: Fire and rescue workforce and pensions statistics: England April 2017 to March 2018.

It was noted that the FPS deficit in 2017/18 had increased by 3% and was now around £552 million. CG commented that the trend of increasing deficit in the last decade, as shown in the report, may be reversed in 2019/20 as a result of the increased employer contributions.

23. NCC's FPS updated Procedure for reporting breaches of the law

The Board received an updated copy of the Procedure for Reporting Breaches of the Law. The procedure had been updated to include reference to WYPF.

CG explained why NCC had a Procedure for reporting breaches for the FPS in place (since 2015), and the responsibilities that rested on the Board and Scheme Manager to consider each breach, and whether it was of material significance to tPR. She gave two examples, explained the process officers and Board members should follow to consider the cause, effect, reaction to and wider implications of any breach, and explained why one of the examples given would be considered reportable.

24. The role of the FPS Scheme Manager

The Board received a copy of a fact sheet prepared by the FPS SAB to give guidance on the role of the Scheme Manager for the FPS.

CG reminded the Board that the "Scheme Manager", as defined in the Public Service Pensions Act 2013, is a **function** not a person, and that for the FPS at NCC, that function is fulfilled by:

- NCC's Payroll, HR, Finance, Democratic Services, as well as the Fire and Rescue Service;
- WYPF's FPS Administration; and
- The Chief Finance Officer in consultation with the Chief Fire Officer for any decision making required.

The FRA was not absolved of responsibility for the pension scheme and any fines resulting from errors would rest with NCC.

25. NCC's FPS LPB Terms of Reference updated March 2019

The Board received for information a copy of the updated Terms of Reference which had been amended to reflect WYPF as administrator, update reference to GDPR legislation and increase the time allowed for approval of the draft minutes.

26. NCC's FPS LPB training to March 2019

A list of training events attended by members of the LPB from October 2017 to March 2019 was circulated.

27. Future meeting dates


Members received a list of dates for meetings of the FPS Local Pension Board in 2018/19 and proposed dates for 2019/20.

28. Any other business

CG outlined options being explored for the future provision of the Board Secretariat in the event that changes being considered for Northumberland's LGPS Fund were implemented.

HS reported that final checks were being undertaken for ABS documentation which would be issued to deferred pensioners during May 2019 in advance of the annual 31 August deadline.

(The meeting ended at 12.50 p.m.)

CHAIR 
DATE 14 June 2019