

CHESHIRE FIRE AND RESCUE SERVICE

MEETING OF : PENSION BOARD
DATE : 6 AUGUST 2015
REPORT OF : HEAD OF PEOPLE AND DEVELOPMENT
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SUBJECT : FIREFIGHTER PENSION SCHEME UPDATE

Purpose of Report

1. The purpose of this report is to provide the Pension Board with a hard copy of the verbal update provided at the meeting held on 6 August 2015 which covered current issues relating to the Firefighters' Pension Scheme, and an overview of changes which have occurred since July 2013.

Background

2. The past two years has seen a significant period of change for public sector pension schemes, following the Lord Hutton Report, which was published in March 2011.
3. Along with public sector pension reform, the Pensions Act 2008 and Pensions Bill 2011 introduced Automatic Enrolment (AE), which affects all employers in the UK.

Information

4. **The Firefighters' Pension Scheme (Amendment) (No.2) (England) Order 2013 – 1st July 2013.**

In summary, the key changes to the 1992 and 2006 schemes following this amendment were:

- The introduction of new APBs for temporary promotions and temporary emoluments of pay
- Changes to the definition of pensionable pay
- Changes to the maximum commutation payment
- Changes to abatement rules

5. The full details of each amendment are outlined in the briefing note provided to employers from Mouchel Business Services.

6. **Automatic Enrolment – 1st October 2013**

The staging date for CFRS was 1st October 2013. AE did not have a huge impact on CFRS due to the fact that the majority of members were already enrolled in a pension scheme.

The statistics are as follows:

Status at staging date 1st October 2013	
Already in a pension scheme	822
Automatically enrolled	63
Non-eligible/entitled (not in scheme but not eligible to be auto-enrolled)	70
Postponed (members with contracts of less than 3 months)	3

Automatically Enrolled - By Staff Category	
Wholetime	27
On Call	10
Support	26

Opt Out Rate – by staff category	
Wholetime	20
On Call	1
Support	9

In the main, those who opted out cited financial issues as their reason for not joining the scheme.

7. A similar staging process must be followed on a rolling 3 year basis. CFRS next re-enrolment date is 1st October 2016.
8. **Modified Scheme – Retained Pension Settlement – 1st April 2014**

The Firefighters’ Pension Scheme (England) (Amendment) Order 2014 came into force on 1st April 2014. This new scheme was introduced after a legal case Matthews v Kent and Medway Towns Fire Authority [2006] went through the House of Lords and led to legislation which gave retained firefighters the right to join a pension scheme prior to April 2006 when the New Firefighters’ Pension Scheme was introduced.
9. It established that retained firefighters should be treated equally as they were employed under the same type of contract as whole-time firefighters and the right to join a pension was backdated to 1st July 2000 when the Part Time Workers Regulations came into force.
10. The Modified Scheme is an amendment to the 2006 scheme but mirrors the 1992 scheme for most key benefits and conditions such as retirement age and contribution rates.
11. The Order laid out the timelines for the options exercise which needed to take place. FRAs had 2 months to identify any eligible members which included any pensioners and leavers/deferred members and write to them with information about the scheme. All eligible members were contacted within this 2 month period.

12. FRAs had to show that they had taken reasonable steps to contact as many of the members as possible. CFRS used the electoral roll and knowledge from staff on stations to locate as many members as possible. Only 33 out of 293 eligible members could not be contacted.
13. Members then had 2 months in which to express an interest in receiving a quote. Out of 293 eligible members, 131 responded. Of the 131, 120 expressed an interest in further information. Reminder letters were also sent to those who hadn't responded, prior to the deadline of 31st July 2014.
14. FRAs then had 4 months to gather pay data, complete quotes and write to members with more information. DCLG provided a calculator for this purpose and refreshed this each month to take into account changes in interest rates.
15. In order to complete the calculations, up to 15 years of pay data had to be gathered, in some cases. As CFRS only has pay data going back to January 2006, pay data for the years 2000 to 2005 had to be estimated based on the call out information for each station.
16. Due to feedback from FRAs that the timelines were not achievable, the Government amended the regulations to allow FRAs until 31st May 2015 to provide quotes. 95 quotes were completed by the original deadline of 30th November 2014 and the remaining 25 quotes were completed by 31st May 2015.
17. Members then had 4 months in which to take make an election to join the scheme. Of the 95 who received their quotes in 2014, 51 members have elected to join the scheme, 3 opted not to join the scheme and 41 did not respond by the deadline of 31st March 2015.
18. The remaining cohort has until the 30th September 2015 to respond.
19. There have been a number of issues with the implementation of the Modified Scheme. The Technical Community have drafted a lot of the communications and template letters which have been used by FRAs, and colleagues from other services have collated queries into an FAQ document. A number of queries still remain unanswered.
20. The final stage of the process is to write to all members who have elected to join the scheme to advise of the repayment arrangements. This will be completed by September 2015.
21. **Firefighters' Pension Scheme 2015 – 1st April 2015**

The main scheme regulations were laid before Parliament in December 2014, however the transitional regulations were not laid until March 2015. As a result, the communication of the new scheme was delayed.

22. Communication materials were written by the Firefighters’ Pension Scheme Technical Group and this included:
- Employee Scheme Guide for the 2015 Scheme
 - Template letters
 - Administrators Guide
 - Discretions Guide
 - Pension calculator
 - Retirement decision trees for members with transitional protections
 - Factsheets and FAQs
 - Online presentation about the new scheme
23. Members received communication via Green Bulletin items, the intranet and also letters direct to home addresses advising them of the scheme they would be in from 1st April 2015.
24. In addition, CFRS arranged 4 pension roadshows and 4 days of pension surgeries in May 2015 for any members who wanted more information about the schemes. These sessions were planned around watch rotas to ensure the maximum amount of members would be able to attend at least one of the sessions.
25. Greater Manchester Fire and Rescue Service were commissioned to provide the pension surgeries and Your Pension Service who currently work with Lancashire Fire and Rescue Service provided facilitators and a presentation for the roadshows.
26. Despite the investment to familiarise staff with the new pension arrangements, attendance at the roadshows in particular, was disappointing.

	Available Slots	Attended
Roadshows	240	20
Pension Surgeries	154	69

27. The Technical Working Group is in the process of writing a guide for members with transitional protections and this should be available shortly.
28. **Pension Discretions**
- There are fifty-two discretions in the 2015 scheme regulations. Three discretions were decided on by members at the Staffing Committee in April 2015 to enable the implementation of the new scheme.
- Discretion to determine if CPD payments are to be treated as pensionable pay.
 - Discretion to delegate the powers of Scheme Manager
 - Discretion for the Scheme manager to require that an active member should pay employer contributions where the member is absent from employment without pay and has chosen to pay

employee contributions.

29. Minutes of this meeting are available at <http://www.cheshirefire.gov.uk/about-us/fire-authority/staffing-committee/agendas-staffing-committee/wednesday-22-april-2015>
30. Work is ongoing to review the remaining discretions and produce a draft policy document.
31. **The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015**
- The Governance Regulations brought in the requirement for all FRAs to have a local pension board. A number of different committees sit above local pension boards, with the intention of providing a consistent approach.
32. **The Fire Pensions Officers Group (FPOG)** – A regional meeting including Cumbria FRS, Lancashire FRS, Greater Manchester FRS, Merseyside FRS, Cheshire FRS and North Wales FRS. The purpose of this group is:
- to enable sharing of information, expertise and best practice.
 - to enable the discussion of general pension matters which are of relevance to all Fire Authorities.
 - on-going support of Pension Boards.
 - facilitate efficiencies in the implementation and management of the current Fire Pension Schemes and reduce duplication of effort.
33. **Pensions Technical Community** – Two representatives from each FPOG attend a quarterly meeting to discuss more complex issues and queries relating to the pension scheme regulations and administration of the pension schemes. Any issues will be escalated to the Scheme Advisory Board.
34. **Scheme Advisory Board (SAB)** – The FPS Governance Regulations also require a SAB. The SAB is responsible for:
- providing advice in response to a request from the Secretary of State on the desirability of making changes to this scheme.
 - providing advice to scheme managers and local pension boards in relation to the effective and efficient administration and management of the schemes.
 - co-ordinating technical queries to ensure a consistent approach.
35. **Milne vs. the Government Actuaries Department - Pension Ombudsman Decision**

The Pensions Ombudsman recently found that GAD failed to fulfil its obligation to review and calculate appropriate commutation factors between 1998 and 2006, delayed introducing new factors and took into account irrelevant considerations when deciding whether to make

changes to the commutation tables. As a result of this maladministration, retired members may be due a higher lump sum payment.

36. Former fire-fighters who retired between 1st December 2001 and 21st August 2006 will be affected by the Ombudsman's findings. CFRS has 104 pensioners who are affected by this case.
37. The Government have recently advised FRAs that all re-calculations of pension should be completed by the end of December 2015 and any additional payments due to members should be made by 31st March 2016.
38. The pension contractor, Mouchel, will be completing these calculations, contacting affected pensioners and dealing with any Government requests for information on behalf of CFRS.

39. **End of Contracting-Out**

Certain occupational pension schemes are 'contracted-out' of the State Second Pension (S2P). This is due to the fact that the provisions of the pension scheme are broadly equivalent or better than the S2P. In return, employees pay a lower rate of National Insurance contributions (NICs).

40. From April 2016, the S2P will cease to exist, as the Government will consolidate the basic State Pension and S2P into one single tier pension. As a result of these changes, contracting-out will cease to be relevant. All employees and employers currently paying the lower rate of NICs will be changed to standard rate.
41. This means employees and employers will pay more NICs.
 - £15,000 p.a. salary will pay £129 more NICs p.a.
 - £25,000 p.a. salary will pay £269 more NICs p.a.
 - £35,000 p.a. salary will pay £409 more NICs p.a.
 - £40,000 p.a. salary and above will pay £489 more NICs p.a.
42. This change in legislation also has a knock on effect on automatic enrolment legislation. Defined benefit schemes must meet certain criteria to be qualifying automatic enrolment schemes. The end of contracting-out may mean that some public sector schemes will have to be amended to ensure they continue to comply.
43. Those members of occupational pension schemes between 6 April 1978 and 5 April 1997 will be entitled to a Guaranteed Minimum Pension (GMP) due to the contracting out of S2P (previously SERPS). Work will be required to reconcile this data, which will be provided by HM Revenue and Customs, and an equalisation exercise completed between males and females with a GMP. Mouchel Pensions will be completing this work on behalf of CFRS.

44. Initial communications about these changes will be sent to employees shortly in the green bulletin and via the intranet. We will also write to each employee closer to April 2016, to confirm their National Insurance Category.

45. **Mouchel members website**

Mouchel Business Services, the current pension contractor, have now completed work on a reference website for pension scheme members. This website contains links to employee guides, the pension scheme regulations and news updates about ongoing issues such as the Milne case.

This website is <http://www.myownpension.co.uk/>

46. In time, this website will become a portal which members can log into and see their pension details. They will also be able to request pension estimates and update their personal details.
47. Firefighters will be notified of this new website by the end of August along with information about contracting out.