

**WARWICKSHIRE FIRE AND  
RESCUE LOCAL PENSION  
BOARD OF THE FIREFIGHTERS'  
PENSION SCHEME**

**27 November 2018**

# Agenda

**The Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme will meet in Committee Room 2, Shire Hall, Warwick on Tuesday 27 November 2018 @ 09:30am**

**1. General**

**i) Apologies**

**ii) Board Members' Disclosures of Interests** (as stipulated by the Public Sector Pensions Act 2013 and set out in Annex A of the Agreed Board Terms of Reference).

**iii) Minutes of the Meeting 26 February 2018**

**2. SCAPE discount factors and impact on employer contribution rates**

**3. Potential outsourcing of Fire pensions administration – Verbal Update**

**4. HMRC compliance matters**

**Reports Containing Confidential or Exempt Information**

To consider passing the following resolution:

'That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972'.

**EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS).**

- 5. Current Internal Dispute Resolution Procedures (to include RDS pensionable pay issue) - Verbal Update**
- 6. Exempt Minutes of the Meeting 26 February 2018**
- 7. Next Steps**
- 8. Any Other Business**

David Carter  
Joint Managing Director  
Shire Hall  
Warwick

**Membership of the Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme**

**Chair**

Keith Bray

**Employers' Representatives**

Rob Moyney - Deputy Chief Fire Officer  
Liz Firmstone - Communities Group - Strategic Finance Manager  
Katie Brown - HR Manager (Fire)

**Employees' Representatives**

Marcus Giles – Fire Brigades Union (Fire and Rescue)  
Paul Morley – Fire Officers Association (Fire and Rescue)  
Tony Morgan – Retained Firefighters Union

**Advisers**

John Betts - Head of Finance WCC

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**Minutes of the meeting of the  
Warwickshire Fire & Rescue Pension Board of the Firefighters' Pension Scheme  
held on 26 February 2018**

**Present:**

**Members**

Keith Bray (Chair), Katie Brown, Liz Firmstone, Tony Morgan, Paul Morley, Rob Moyney

**Officers**

Helen Barnsley, Democratic Services Officer

John Betts, Head of Finance

Neil Buxton, Pensions Manager

Gary Dalton, Employment Solicitors

**1. Introductions and General business**

**(1) Apologies**

Marcus Giles

**(2) Board Members' Disclosures of Interests**

None

**(3) Minutes of the meeting held on 11 July 2017**

The minutes of the meeting of the Board held on 11 July 2017 were agreed as an accurate record for signing by the Chair. There were no matters arising.

**EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS).**

**2. Current Pension Issues - Update**

Liz Firmstone, Strategic Finance Manager presented the report to the Board and members noted the content.

**3. Next Steps**

It was agreed that the next meeting would be held on Tuesday 10 July @ 12pm

**4. Any other business**

None

The board rose at 14:20p.m

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Chair

## Fire Pension Board

27 November 2018

### Impact of reducing the SCAPE Discount Rate

#### Recommendation

The Board are invited to comment on and note the impact of the adjustment to the SCAPE discount rate on the public service pension schemes.

#### 1.0 Background

- 1.1 The unfunded public service pension schemes (with WCC these are Fire schemes, Teachers pension scheme, and NHS pension scheme) are subject to an actuarial valuation every four years. The purpose is to assess the value of pension rights being built up, so that total contributions (from employers and employees) can be set a level to reflect this.
- 1.2 The valuations undertaken are in accordance with Treasury directions which, among other things, specify the 'discount rate' that should be applied in order to assess the present costs of future benefits.
- 1.3 The discount rate is a method which reflects future payments in today's terms. In a funded scheme like the Local Government Pension Scheme (LGPS) the discount rate will reflect anticipated investment return on a portfolio of assets – the discounted value of future payments represents the amount of money that needs to be invested today in order to meet those future payments.

#### 2.0 The Discount Rate - SCAPE

- 2.1 Contributions for unfunded public service pension schemes are set using the SCAPE discount rate – a method developed by the Government in the absence of a fund of assets.
- 2.2 Keeping all other assumptions unchanged, a lower discount rate would result in higher contribution rates at the next scheme valuations. The effect on the schemes will vary depending on the different generosity of scheme benefits and member profiles of those schemes.
- 2.3 On 6 September, the Chief Secretary to the Treasury provided an update to Parliament on the actuarial valuations of the public service pension schemes.

- 2.4 As part of the update, the Chief Secretary announced a proposed further reduction to the discount rate used to assess the cost of future payments; the SCAPE rate. The 2016 budget announced reduction in the annual rate from 3% above CPI to 2.8% above CPI and further reduction to CPI plus 2.4% is proposed.
- 2.5 It is anticipated that the current Firefighters Pension Schemes average employer rate of 17.6% will be increasing to 30.2% for the period 1 April 2019 to 31 March 2023.
- 2.7 However, indications in the Chancellor's statement of 30 October 2018 are that Treasury has set aside broadly similar amounts in departmental spending limits (at a national level) to allow public sector employers to meet the additional costs associated with changes to the discount rate.

### **3.0 Cost Control Mechanism**

- 3.1 The Treasury undertakes quadrennial valuations of the public service pension schemes. This is the first time a full assessment of the pension schemes has taken place since the Government introduced the reformed schemes in 2015 (2014 for the LGPS).

The reform of the schemes addressed the rising cost of pensions rebalancing taxpayer and member costs to ensure public pensions were put on an affordable and sustainable footing.

- 3.2 As part of the reforms introduced by the Public Service Pensions Act required that each scheme should introduce a cap expressed as a percentage of pensionable pay. If the four yearly valuation shows that the costs of a scheme as risen more than 2% above the cap or have fallen more than 2% below the cap, action will need to be taken to return costs to the level of the cap.

The cap is based on future accrual costs and does not account for scheme deficits which are out of scope of the assessment because it would be unfair to consider accrued benefit entitlement for preserved and pension members in a potential assessment of a contribution rate for current active members.

The cap for the four schemes for WCC employees are:

Local Government Pension Scheme	19.5%
Teachers' Pension Scheme	10.9%
Firefighter Pension Scheme	16.8%
NHS Pension Scheme	11.6%

- 3.3 A breach in the ceiling results in a reduction in benefits for employees and a breach in the floor results in an increase in benefits or lower contributions.

- 3.4 In addition to the lowering of the discount rate the Treasury announced that some, if not all, schemes are expected to breach the cost control floor as “member” costs measured by the cost control mechanism have decreased by more than 2% of pensionable pay.
- 3.5 The unfunded public service pension schemes are therefore potentially facing an increase in employer contributions and an increase in the benefits available to scheme members from April 2019 to March 2023.

#### **4.0 The Local Government Pension Scheme (LGPS)**

- 4.1 The LGPS has a triennial valuation cycle and because it is a funded pension scheme and administered locally, the discount rate is agreed and set locally.
- 4.2 The LGPS has an additional cost control mechanism where the future service cost is operated by the LGPS Scheme Advisory Board. This additional process will be allowed to complete before the HM Treasury cost control mechanism is tested. It is not therefore possible to give any indication of what the outcome might be.

#### **5.0 Next Steps**

- 5.1 Over the coming weeks and months Treasury will confirm amendments to employer contribution rates and accrual rates (if any) for the unfunded public service pension schemes.
- 5.2 The Government Actuary’s Department will issue amended scheme factors following the reduction to the SCAPE discount rate. For example, these factors impact on the amount of a transfer value payable from the public service pension schemes, both the funded and unfunded schemes.

### **Supporting Documents**

None

	<b>Name</b>	<b>Contact Information</b>
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Portfolio Holder	Councillor Kam Kaur	cllrkaur@warwickshire.gov.uk

**Fire Pensions Board**  
**27 November 2018**  
**HMRC Compliance Matters**

**Recommendation**

The Board is asked to note the report.

**1.0 Background**

1.1 Two issues have recently been brought to the attention of Fire and Rescue Authorities regarding HMRC compliance. Details, and Warwickshire Fire and Rescue Service's position on them, are set out below.

**2.0 Compliance with tax rules on Retained Firefighters' Membership of 2006 Scheme ("Special Member")**

2.1 Following a court ruling in the case *Matthews v Kent and Medway Fire Authority*, retained firefighters won the right to elect to join the modified section of the Firefighters Pension Scheme 2006 (FPS 2006) as a special member. Recent contact by HMRC with members and Fire and Rescue Authorities suggested that a number of compliance issues needed to be resolved. e.g. In some cases:

- Relief had been given under a net pay arrangement.
- Contributions and interest due exceeded earnings and so all or part of the relief should have been given by way of IT/SA claim.
- Relief had been given by the wrong method.
- Relief may have been given incorrectly.

2.2 Scheme Managers were required to provide further information to enable HMRC to establish compliance and to ensure consistency of treatment across the sector.

2.3 All WFRS members that chose to buy back contributions are invoiced directly for the amounts, with the option to either pay in a lump sum or split the cost over 10 years. WCC has provided HMRC with the information requested and believes that it is compliant. To date, no further communication has been received from HMRC on this matter.

**3.0 Compliance with tax rules relating to Retained Firefighters who have been awarded an ill health pension**

3.1 The Local Government Association has recently reissued guidance from HMRC on the correct taxable treatment of ill-health pensions paid from the compensation scheme to retained firefighters only who were employed prior

to 6 April 2006. These firefighters, because they could not join the 1992 pension scheme, were given compensatory provisions under the compensation scheme rules.

3.2 The guidance states that, for certain categories of retained firefighter,

“...Ordinary, short service and ill health pensions are taxable; ‘injury’ pensions are not. Pensions awarded to fire service personnel solely on the grounds of injury whilst on duty, even if called ill health pensions, are regarded as exempt under section 644 ITEPA. These individuals will either not be regular firefighters or will not have served two (previously five) years.”

3.3 This applies to:

- A retained firefighter who was employed prior to 6 April 2006 and prior to 1 April 2014 was awarded an injury and ill health pension for his retained service under the compensation scheme, Part 8, rule 2, paragraph 4.
- A retained firefighter employed prior to 6 April 2006, who didn’t subsequently become a ‘special member’ under the terms of the modified arrangements and after 1 April 2014 has been retrospectively awarded an injury and ill health pension for his retained service under the compensation scheme, where it has been determined that the injury is a qualifying injury and was sustained before the 1st April 2014 under the protected right granted in SI 2014/447 paragraph 2 of rule 3.

3.4 The guidance provides information on how to correct any errors that have occurred in the treatment of these costs.

3.5 Warwickshire County Council is in the process of identifying whether it has any retained firefighters who fall into these categories, and will then ascertain whether it has treated any ill health pension payments in the correct way.

3.6 An update on this matter will be brought to the next Fire Pensions Board.

#### 4 Supporting Documents

None

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