

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

## **Pensions Administration update**

4 March 2021

### **Recommendation(s)**

1. Local Pensions Board to note this report.

### **1. Executive Summary**

- 1.1 This report updates the board on key developments affecting Fire pensions administration and the performance of the Pensions Administration Service.

### **2. Financial Implications**

- 2.1 All financial implications are dealt with in the body of the report.

### **3. Environmental Implications**

- 3.1 None

### **4. Pensions Administration Service (PAS)**

#### **4.1 Breaches**

The Pensions Regulator (the Regulator) has a Code of Practice no 14 (the Code) for the governance and administration of public service pension schemes. This is not a statement of law, but it carries great weight. One of the requirements of the code is to record and report, when stakeholders do not deliver on their statutory obligations.

- 4.2 To date only 1 breach has been recorded, relating to the non-deduction of pension contributions by payroll. This has not been reported to the Regulator as it was not materially significant, as only 1 individual was affected. A review of payroll and pension processes have been undertaken and changes made where required.

### **5 Internal Disputes (Internal Dispute Resolution Procedure – IDRP)**

- 5.1 The Fire service's IDRPs process was agreed in 2016. The Staff and Pensions committee authorised the Chief Fire Officer to nominate a Senior Fire Officer to deal with Stage 1 disputes, and the Chief Fire Officer to make stage 2 decisions, with advice from legal services.
- 5.2 There have been 3 stage 1 cases raised between October and December 2020. 2 were relating to decisions made by the Fire service as the members employer. 1 case raised is regarding a specific fire pension scheme regulation. 2 cases have not been upheld. 1 case has been upheld and referred to Human Resources.

## **6. McCloud/Sergeant update**

- 6.1 The Courts determined that the protections afforded to some members of the public service pension schemes, following the review by Lord Hutton and introduced in 2015 for fire pension schemes, were age discriminatory and unlawful.
- 6.2 The Government have now released their response to the consultation and have indicated that they intend to proceed with the deferred choice underpin option. This means that members will make a decision between which scheme they wish to have benefits based on for the remedy period, shortly before benefits are paid from the scheme.
- 6.3 For the PAS this will mean a change to how benefits are calculated going forward and the need to recalculate benefits for a large proportion of members who have left the scheme since 2015.
- 6.4 This is likely to impact significantly on pensions and payroll administration processes and systems as well as requiring a robust communication exercise for scheme members.
- 6.5 A Full Business Case to set up a formal project for managing the implementation of the McCloud remedy for both the Fire and Local Government Pension Schemes was approved by the Portfolio Change Board on 11 November 2020 and work has now commenced on establishing activity on the various workstreams.
- 6.6 This is a significant project, and there is expected to be a considerable cost to implementing the McCloud remedy. In addition to the extra staffing that will be needed in the Pensions Administration and HR / Payroll functions, technical project management is required to ensure that the remedies are being implemented in a way that meets our statutory obligations. There will also be costs relating to communications with scheme members, to data quality management and to the changes needed to pension software.
- 6.7 Aon have been appointed as Project Manager.

6.8 The total estimated cost of implementing the McCloud remedy is £22,000.

## **7. Home Office Immediate detriment guidance**

7.1 Fire and Rescue Authorities (FRAs) have been advised that they need to take a cautious approach in following the Home Office guidance, as any legal advice taken would not form protection against FRAs who act outside of their vires or make incorrect conclusions in the calculation of the value of pension benefits.

7.2 We understand that the Home Office asserts that the legal position which underpins the application of the guidance in the note for non-claimants (those not covered by the interim order) is Section 61 of the Equality Act. The effect of Section 61 is being contested in the FRAs' appeal under Schedule 22 of the Equality Act, in which they argue that they were required to follow the pensions regulations and so by law had no choice but to implement the transitional protections for older firefighters. This case was being held in December and an update is expected imminently. A verbal update will be provided at the meeting, should this be available.

7.3 The County Council's Section 151 Officer has delegated responsibility for payments in respect of all liabilities falling to be discharged by the Council which are not otherwise detailed in financial regulations.

7.4 Following legal advice, it has been decided that retirement cases for those members who fit the criteria for immediate detriment, will be assessed on a case by case basis and the guidance followed for non-complex cases. Information sent to members affected will be caveated to confirm how their benefits have been calculated using this guidance and will need to be revisited once the government's approach to removing the discrimination has been finalised. This is likely to be after April 2022.

## **8. Data scores**

8.1 The quality of the data held on Fire scheme member records is measured each year and reported to the Pensions Regulator (TPR).

8.2 The overall data scores for common data is 96% for 2020. Common data items are name, date of birth and address.

The scores split between the 3 fire schemes are as follows:

1992 Scheme 97.7%  
2006 Scheme 91.8%  
2015 Scheme 96.2%

- 8.3 The overall data scores for scheme specific data is 58.8% for 2020. Scheme specific data are items such as pay, transfer in details, Career Average Revaluated Earnings (CARE) data, HMRC data, etc.

The scores split between the 3 fire schemes are as follows:

1992 Scheme 49.1%  
2006 Scheme 90.5%  
2015 Scheme 51.7%

- 8.4 From the split of the scores, we can see that there are issues with both 1992/2015 schemes, that are a priority for being addressed. It is encouraging to see that the 2006 data does not have any significant issues.
- 8.5 However, data that may be missing for 1992 scheme members, who have retired, will not be addressed as these are classed as a 'legacy issue'. Many records for 1992 scheme members were only set up after the member had left and the basic information required for the payment of benefits added. Because of this the improvements to the overall score may be limited to the work that can be done for the 2015 scheme data.
- 8.6 For the 2015 scheme the process for adding data to scheme records, going forward have been improved, so that data will be added monthly. That should mean that once the data corrections from this year have been completed we should not have a further build up of missing data.
- 8.7 These scores are created using our software provider, Aquila Heywood's data quality reporting tool. Aquila Heywood's understanding of the Firefighter's Pension Scheme data, benefit calculations, interfaces and processes have assisted in the agreement of which items to test. A benchmark of 90% has been agreed between Warwickshire and Aquila Heywood.
- 8.8 A data correction plan has been created highlighting key data issues that require review and the suggested priority order. This data correction plan has been discussed with the lead officer for fire pensions administration and the work has been scheduled to be completed by 30 June 2021.

## **9. Outsourcing update**

- 9.1 It remains the Finance Service's intention to out-source Fire Pensions administration, in order to manage and mitigate the risks associated with having to service a very specialised area for a relatively small number of members. However, this work has been paused, pending implementation of the data correction plan (see section 8 above). This is in order that the data transferred to any new provider is of sufficient quality that they will be in a position to meet the requirements of the proposed contract.
- 9.2 Work will be undertaken during the first half of 2021 to ensure that contract documentation is ready, in order to invite tenders as soon as we are satisfied

that our data quality is of a sufficient standard.

## 10. Timescales associated with the decision and next steps

None

### Appendices

None

### Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: None