

## EAST SUSSEX FIRE AUTHORITY

<b>Meeting</b>	Scrutiny & Audit Panel
<b>Date</b>	25 July 2019
<b>Title of Report</b>	2018/19 Annual report of the ESFRS Local Firefighters' Pension Board
<b>By</b>	Hannah Scott-Youldon, Assistant Director – Organisational Development, Human Resources, Training & Assurance
<b>Lead Officer</b>	Zoe Downton, Democratic Services Officer
<b>Background Papers</b>	Local Firefighters' Pension Board meetings held on 14 June 2018, 6 December 2018 and 14 February 2019

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<b>Appendices</b>	None
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### Implications

<b>CORPORATE RISK</b>		<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>FINANCIAL</b>		<b>POLITICAL</b>	
<b>HEALTH &amp; SAFETY</b>		<b>OTHER (please specify)</b>	
<b>HUMAN RESOURCES</b>		<b>CORE BRIEF</b>	

<b>PURPOSE OF REPORT</b>	To inform the Panel of the matters considered by the Pension Board during 2018/19.
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### EXECUTIVE SUMMARY

The Authority, (on 12 February 2015), approved the establishment of a Local Firefighters' Pension Board to fulfil the requirements of the Public Service Pensions Act 2013. The terms of reference of the Pension Board state that the Board shall report its activities periodically, but at least once each year to the Scrutiny & Audit Panel.

The Board has met on three occasions during the year.

The Board has considered local issues and national issues and their impact on the East Sussex Schemes.

The Board has been made aware of data quality issues identified during the year and also of proposals to transition FPS administration and payroll to another provider.

**RECOMMENDATION**

The Panel is asked to note the annual report of the Pension Board for 2018/19 and that the Board has not identified any matters of concern in the administration of the Firefighters' Pension Schemes.

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**1            ESTABLISHMENT OF THE LOCAL PENSION BOARD**

1.1            The Authority (on 12 February 2015) approved the establishment of a Local Firefighters' Pension Board to fulfil the requirements of the Public Service Pensions Act 2013. The Authority agreed that the Board should comprise four employee representatives (one each from Fire Brigades' Union (FBU), Retained Firefighters' Union (RFU), Fire Officers' Association (FOA) and Association of Principal Fire Officers (APFO - now FLA; Fire Leaders Association)) and four employer representatives drawn from the Fire Authority.

1.2            The Authority also approved a role description for employer and member representatives. The terms of reference for the Board are set out in the Authority's Constitution and can be viewed at:

<http://www.esfrs.org/about-us/fire-authority-constitution/>

The terms of reference indicate that the Board should meet a minimum of twice per year, although the Board understood that this may have to be more often whilst it became established and familiar with its role.

1.3            The Board members for 2018/19 were:

Employer Representatives: Councillors Deane, O'Quinn, Taylor and Tutt

*(Other Employer Representatives during 2018/19 - Councillor Caroline Penn, elected Chair of the Board on 14 June 2018, ceased to be a Fire Authority Member on 13 December 2018. Councillor Stuart Earl sadly passed away in October 2018).*

Employee Representatives:

- Matt Lloyd (Fire Officers' Association)
- Mark Andrews (Fire Leaders' Association)
- Justin Goodchild (Retained Firefighters' Union)
- Mark Brown (Fire Brigades' Union)

The Board elected Councillor Caroline Penn as its Chair for the year. Following her departure temporary Chairpersons were elected at each subsequent meeting. Councillor David Tutt was duly elected as Chairman for those meetings on 6 December 2018 and 14 February 2019.

There were changes during the year to officer support for the Board. Vikki Boundy, the Payroll and Pensions Manager, who had been with the Board since its creation left the Service. Vicky Chart, the Assistant Director with overall responsibility for Pensions also left. In their place, the Board welcomed Judith Sarpong (Pensions Advisor) and Hannah Scott-Youldon (Assistant Director – Organisational Development, Human Resources, Training & Assurance).

## **2 MEETINGS OF THE BOARD**

- 2.1 The Board has met on three occasions – 14 June 2018, 6 December 2018 and 14 February 2019. The meeting scheduled for 6 September 2018 was cancelled pending receipt of specialist legal advice.

<b>Board Member</b>	<b>Expected Attendance</b>	<b>Actual Attendance</b>	<b>% Attendance</b>
Mr Andrews	3	3	100%
Mr Brown	3	0	0%
Cllr Deane ( <i>joined mid-year</i> )	2	2	100%
Cllr Earl ( <i>deceased</i> )	1	1	100%
Mr Goodchild	3	0	0%
Mr Lloyd	3	1	33%
Cllr O'Quinn ( <i>joined mid-year</i> )	1	1	100%
Cllr Penn ( <i>left mid-year</i> )	2	1	50%
Cllr Taylor	3	2	66%
Cllr Tutt	3	3	100%

## **3 MAIN ISSUES CONSIDERED BY THE BOARD**

### **3.1 14 June 2018**

#### **3.1.1 Firefighters Pensions England Scheme Advisory Board FPS Bulletins 4 - 8**

The Board briefly considered 5 FPS Bulletins.

#### **3.1.2 Firefighters Pensions (FP) Scheme Administration Update**

The Board received a report from the Head of Operations, Orbis which provided an overview of key activities affecting the delivery of the scheme administration, and considered an update on performance and themes including key performance indicators for 2017/18. The report assisted the Board in monitoring the effectiveness of the scheme administration. The Head of Operations acknowledged the shortage of staff with pension

knowledge and expertise and advised that Orbis had recently had difficulty in recruiting employees with the requisite experience. However, a new Pensions Manager had recently been appointed and would take up his post in October. Orbis were on target to deliver annual benefit statements by the statutory deadline of 31 August 2018. The report also set out the steps that were being planned to ensure that work on the GMP (Guaranteed Minimum Pension) Reconciliation was delivered in a timely manner.

### 3.1.3 Firefighters' Pension Scheme – Audit Update

The Board received a report from the Assistant Director Resources/Treasurer which informed Members of the outcome of an internal audit in relation to administration of the Firefighters' Pension Schemes.

The Pension Regulator's Code of Practice requires a scheme manager of a public service pension scheme to establish and operate internal controls, These must be adequate for the purpose of ensuring that the scheme is administered and managed in accordance with the scheme rules and in accordance with the law. The internal audit review conducted as part of the 2017/18 Audit Plan gave a substantial assurance opinion and made no recommendations to improve control.

### 3.1.4 Firefighters Pension Scheme GDPR Privacy Notices

The Board noted that the LGA had produced a template privacy notice for Fire Authorities as the data controller for firefighter pensions.

## 3.2 6 December 2018

### 3.2.1 Pensions Update

The Board received an update on Pensions matters, namely;

**2006 Special Member Tax Relief** – Following a court ruling in 2006 (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 with members and Fire and Rescue Authorities suggested that a number of compliance issues needed to be resolved. All Scheme Managers of Fire & Rescue Authorities had been asked to provide further information to enable HMRC to establish compliance and also to ensure consistency of treatment across the sector. The fact that the Service had received the letter should not be interpreted as HMRC suggesting that we had not been compliant, as the same letter had been issued across the Fire & Rescue sector.

**GMP Reconciliation** – HMRC had requested that Fire & Rescue Authorities supply guaranteed minimum pension (GMP) data for their

firefighters. HMRC needed to compare this information with the data they held to fulfil the reconciliation process.

The Service had signed up to the HMRC reconciliation service. Orbis had engaged in commercial negotiations with a third-party provider for the Local Government schemes reconciliation exercise, and they had confirmed that the Fire data would be reconciled at the same time within the same agreement. Orbis were committed to achieving the HMRC deadline of December 2018.

**Transitional arrangements – Firefighters Pension Scheme 2015 –** Following the introduction of the new Firefighters Pension Scheme on 1 April 2015, the FBU had levied a trade dispute which remained live. Transitional arrangements were introduced by the Government. The Board was reminded that the Transitional arrangements and issues surrounding them were as a result of national policy and not local decision-making. The Board was informed that the matter had been to the Court of Appeal but a judgement was not anticipated until Spring 2019 at the earliest.

**Firefighters’ Pension Schemes – 2016 Valuation –** The Government Actuary Department (GAD) was now in receipt of the initial data from FRAs as part of the 2016 valuation of the firefighter pensions’ schemes. The process would value the total liabilities of the 1992, 2006 and 2015 Schemes as at 31 March 2016. The Board was informed that the GAD had now completed its valuation of the Schemes. As a result, the level of employer’s contributions would increase and would have a significant impact on the Actuary’s view of future liabilities.

The overall increase in employer’s contributions for the fire sector was estimated as £107m. The Treasury was to fund all but £10m for the financial year 2019/20 through a S31 grant but there was no further funding guaranteed for 2020/21 onwards. This would form part of the Comprehensive Spending Review. If funding was not addressed through CSR then the impact of this Authority was estimated to be c£1.6m – the equivalent of the cost of c40 firefighters.

**GDPR –** LGA commissioned Squire Patton Boggs to produce a template privacy notice for Fire Authorities as the data controller to use /adapt.

The full privacy notice was intended to enable Fire Authorities in their capacity as data controller of personal data relating to the Firefighters Pension Scheme for which they are responsible, to satisfy their obligation under the General Data Protection Regulations (“GDPR”) to inform affected individuals what personal data is held and how it is used for the purposes of the pension scheme.

The Service had adapted the templates for use and was awaiting confirmation from Orbis that these notices had been sent to members. The Service does not hold data relating to deferred and pensioner members.

**Survivor's Benefits** – On 16 April 2018 the Home Office launched a consultation on amendments to survivors' benefits in the Firefighters' Pension Scheme 2006 and various amendments to the Firefighters' Pension Scheme 1992, the Firefighters' Pension Scheme 2006 and the Firefighters' Pension Scheme 2015. A recent Supreme Court case relating to the entitlements of a public service pension scheme member's partner had led the Government to give fresh consideration to this matter for all public service pension schemes, including those for firefighters. The consultation sought the views of interested parties on draft legislation to enact these changes. The consultation closed on 14 May 2018.

### 3.2.2 Firefighter Pension Schemes Administration Update

The Board received a report from the Lead Pensions Manager, Business Operations, Orbis which provided an overview of the statutory activities concerning the delivery of Firefighter Pension Administration to the Service and to help the Board measure the effectiveness of the scheme administration. The report confirmed to the Board that the Key Performance Indicators showed that performance was good overall.

### 3.2.3 Firefighters Pensions England Scheme Advisory Board FPS Bulletins 9 - 13

The Board briefly considered 5 FPS Bulletins.

## 3.3 14 February 2019

### 3.3.1 Firefighter Pension (FP) Schemes

The Board received the Report of the Business Operations team at ORBIS which notified the Board on the performance of ORBIS Pensions Administration and other key themes. Work was ongoing into Guaranteed Minimum Pension (GMP) reconciliation by ORBIS' supplier JLT. This work had seen an increase in the total discrepancies from 730 to 1027 between 10 January and 24 January 2019. In the same period there had been a reduction in the number of true GMP discrepancies from 322 to 171. There had also been a number of cases referred to the Pension Admin service to investigate as JLT had been unable to resolve with their resource and access. A number have been answered and returned to JLT, outstanding queries continue to be investigated and will be referred to ESFRS if they cannot be answered by the admin team. Currently it was hard to predict the final outcome of this project.

It was reported that all interfund transfers, estimates to members, deferred benefits, retirements and transfers out of the fund were produced within target during this period. The Board were pleased with the performance for this period and congratulated all those involved on some good results.

### 3.3.2 Scheme Manager Update

The Board welcomed Judith Sarpong, the Service's new Pensions Advisor. Judith had already started a significant amount of work, particularly finding new issues around Data quality. She intended to investigate thoroughly in order to understand the scale of the work to be done. The Assistant Director Resources/Treasurer agreed that, in addition to the national GMP reconciliation exercise, the issue of Data quality was an important one locally and informed the Board that there may be issues uncovered that would need to be brought before the Pension Board at future meetings. The Board were informed that the Authority was exploring options to transition FPS administration and pension payroll from the current provider ESCC / Orbis to another public sector provider. This resulted from concerns about the quality of the service and consolidation of the FPS administration market nationally. ESCC / Orbis had confirmed that they would work with the Authority to ensure a smooth transition.

### 3.3.3 FPS Data Quality Results and Data Correction & Improvement Plans

The Board received the report of the ESFRS Pensions Advisor (PA) informing them of the data quality review results and proposing data correction and improvement plans to remediate the failings and establish ongoing actions to prevent re-occurrence. The Board identified that it wished the Data Improvement and Correction plans to focus on any points that might have an adverse effect on scheme members.

### 3.3.4 Eligibility to join the Firefighters' Pension Scheme

The Board received the report of the Monitoring Officer (MO) providing a summary of Leading Counsel's advice regarding eligibility to join the Firefighters' Pension Scheme. The MO explained that in August 2018 the Pension Board Chair had received correspondence from the Fire Brigades Union raising questions regarding the eligibility of senior Fire Authority Officers to join the firefighter's pension scheme. Due to technical complexities it was decided to seek independent external legal advice. The report resulting from Leading Counsel was one on law and principle and referred to both primary and secondary legislation. The conclusion of the advice received was that the decision of the Authority in deciding to admit certain Senior Officers to the firefighter's pension scheme was in accordance with the law.

## 4 CONCLUSION

4.1 The Board has been made aware of data quality issues identified during the year and also of proposals to transition FPS administration and payroll to another provider.