

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting East Sussex Fire Authority

Date 5 September 2019

Title of Report Firefighter Pension Schemes update

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Lead Officer Hannah Scott-Youlton, Assistant Director – HR, OD,
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Background Papers Policy & Resources Panel – 25 July 2019 – Item 8 – GMP Reconciliation – Stalemate Cases

Appendices 1 – Log of Pensions Issues and actions to resolve

Implications

CORPORATE RISK	✓	LEGAL	✓
ENVIRONMENTAL		POLICY	
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	

PURPOSE OF REPORT To inform the Fire Authority of the pensions issues identified within the Firefighter Pension Schemes and to set out the action being taken / proposed to resolve. To confirm whether there have been any reportable breaches of law or regulation.

RECOMMENDATION That the Fire Authority:

- i) note the current pension issues and activities identified in Appendix 1; and
- ii) confirm that they are content with the action proposed to resolve the issues

1 OVERVIEW

- 1.1 Pensions are a technical and specialist area and the HR and Payroll team have experienced significant and an unprecedented volume of work over the last few years.
- 1.2 In January 2019 the Service employed a Pensions Advisor to provide both specialist pensions advice and a 'health check' on a number of significant and complex changes that had occurred nationally that have had a knock-on impact on all of the Firefighter Pension Schemes as well as providing assurance on a number of requirements placed on us as the employer and the administrator of the pension schemes.
- 1.3 From this 'health-check' it has become clear that there are a number of significant issues that need to be worked through to ensure compliance with national regulations and local policy. These issues are both policy and process changes as well as highlighting the need to consider how our pensions are administered.
- 1.4 The Firefighter Pension Scheme (FPS) is currently administered by East Sussex County Council / Orbis under a long standing agreement in place since the Authority was established as an independent body to provide a range of finance support services. However, over recent years ESCC / Orbis has not been able to meet the required performance standards in this area and has acknowledged that it no longer has the capacity to administer the Scheme on our behalf. For this reason the Senior Leadership Team commissioned a review of alternative options and has recently accepted the recommendation of a business case to transition service provision to another public sector provider, West Yorkshire Pension Fund (WYPF) by April 2020.
- 1.5 The WYPF will provide both greater resilience and greater expertise around the Firefighter Pension Scheme as they already administer the FPS for fourteen Fire & Rescue Services.
- 1.6 This report highlights the main pension related issues and impact for the Authority, whilst also identifying solutions to resolve the identified and outstanding issues (Appendix 1).

2 LEGAL IMPLICATIONS

- 2.1 The Pensions Advisor has considered whether each issue identified constitutes a reportable breach of law or regulation and at this stage it is officers' view that there are no reportable breaches.

3 FINANCIAL IMPLICATIONS

- 3.1 The financial implications of each issue are summarised below:
 - (i) Additional Pension Benefits (APBs) – where employers' and employees' pension contributions have been paid then the only implication is the potential underpayment of benefits to affected pensioners. Under the current arrangements for FPS funding any additional pension due is a

liability to the Pension Account and therefore the cost is covered by the Top-Up Grant paid by the Home Office.

- (ii) Part-Time Working Directive (PTWD) – the Authority has made provision within its accounts to cover the cost of PTWD settlements based on the amounts notified by LGA / Popularis. If further payments are required in respect of non-respondent cases then this provision may not be sufficient to cover all PTWD costs. At this stage we are not able to estimate the potential cost of resolving any cases arising regarding pension entitlement and sick pay.
- (iii) Norman v. Cheshire – an initial assessment indicates that there is potentially up to £44,000 of unpaid employees' contribution arrears affecting 28 employees and pensioners. If these amounts cannot be recovered through repayment plans or other means then our current view is that the impact would be on the Pension Account, not the Authority directly, but this may require further consultation with the Scheme Adviser.
- (iv) GMP Reconciliation – this national exercise will not be completed until autumn 2019 and at this stage the level of over and underpayments is not known. The Authority's liability is limited to interest if corrective action to payments is not taken within reasonable timescales. A specific report on Stalemate Cases (P&R Panel July 2019) concluded that no financial provision was necessary for these specific cases.
- (v) Data Quality Review – at this stage the cost of resolving the issues identified is expected to be met within existing internal / ESCC / Orbis resources or as part of the on-boarding process with WYPF.
- (vi) Modified Arrears Scheme – Orbis are currently unable to update the profiles of about 18 retained FPS members who opted to join the 2006 Modified Arrears Scheme because the software providers (Heywood) have removed the functionality from the pension system Altair. ESFRS and Orbis are currently in contact with Heywood to fix the system.