

**MINUTES OF THE FIRE PENSIONS BOARD
HELD ON 26 MAY 2016**

Present: Mr G Luznyj (Chairman)
(Employer Representative)

Employer Representative	Fire Pension Scheme Member
Chapman, F (Member of the Authority)	Moss, R

Apologies:- Mortimer, R

Also in Attendance: Mrs J Doran, Director of People, Miss J Caiazzo, and Mrs N Daniel.

PART ONE

Documents referred to in these minutes as schedules are not appended but will be attached to the signed copy of the minutes. Copies, or specific information in them, may be available on request.

Appointment of Chairman of the Fire Pensions Board

1. Following the retirement of Mr D Stevens, who was previously Chairman of the Board, the Board was asked to appoint a Chairman of the Pension Board from within its membership. Mr G Luznyj was nominated to be the Chairman of the Pension Board.
2. **RESOLVED** – That Mr G Luznyj be appointed as Chairman of the Fire Pensions Board.

Declarations of Interest/Conflict of Interests

3. Board members were reminded that they should declare any interests or responsibilities, which may lead to conflicts of interest in the subject area or any specific agenda item of this meeting. A conflict of interest is defined as a financial or other interest, which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It did not include a financial or other interest arising merely by virtue of that person being a member of the Firefighters' Pension Scheme.

Mr F Chapman had previously declared an interest. His son was in receipt of a fire pension but this would not preclude Mr Chapman from taking part in the meeting at any point.

4. **RESOLVED** – That the requirement to declare interests be noted.

Membership of the Fire Pensions Board

5. The membership of the Fire Pensions Board was outlined on the Agenda for information:-

Employer Representatives (Representing employers)	Members Representatives (Representing Members of the Fire Pension Scheme)
G Luznyj (Director of Prevent and Protect)	R Moss
F Chapman (Member of the Authority)	R Mortimer

Officers assisting the Board would be Mrs J Doran, Director of People and Mr H Norris Secretary to the Authority. Mrs N Daniels and Miss Caiazzo, the Pensions Administrators from Staffordshire County Council would give an overview for members at each meeting.

6. **RESOLVED** – That the Membership of the Fire Pensions Board be noted.

Minutes of the Pensions Board meeting held on 22 September 2015

7. Miss Caiazzo commented upon the various ways in which the various Firefighters Pension Schemes were referred to in the minutes and reports. Mrs Daniels advised that it was usual to refer to them a “Firefighters Pension Schemes”. Mr Moss added that this was usually followed by the year of the scheme eg 2015. The Board were in agreement with the way that the Schemes would be referred to in future minutes and reports.

8. **RESOLVED** – That the Minutes of the Pensions Board meeting held on 22 September 2016 be confirmed and signed by the Chairman.

Pension Board Terms of Reference

9. The Terms of Reference were included on the Agenda for information only. The amendments proposed by the Pensions Board at its last meeting were approved by the Strategy and Resources Committee on 24 November 2015, as “Scheme Manager” on behalf of the Authority.

10. **RESOLVED** – That the “final” Terms of Reference be noted.

Pensions Administration Overview

11. Mrs N Daniel, Pensions Administrator, Staffordshire County Council presented the report to the Board. The report advised of the complexities of the administration of the four firefighters’ pension schemes:- the Firefighters’ Pension Scheme 1992, 2006, 2006 modified and 2015 (FPSs 1992, 2006, 2015 and ‘modified’) continued to provide challenges for pensions administrators.

The report gave an update on previous projects as follows:-

- **Retained Modified Exercise** - Further to the information provided in the previous report, the relevant updates had been made to their pension administration software to enable the member’s data to be loaded correctly onto the member’s records. They were currently loading and finalising the checking of all the data.

- **Pensions Ombudsman’s Determination in GAD v Milne** - The Pensions Ombudsman determined that the factors used for the calculation of the pension lump sums between the period 1 December 2001 to 21 August 2006 were incorrect and therefore an exercise was

to be carried out to rectify this. This entailed identifying the affected individuals writing to them and calculating and paying their additional lump sums. The timescales for the project as determined by DCLG was to have issued all calculations and paperwork by 31 December 2015 and to have paid all of the benefits due by the 31 March 2016. All payments to firefighters were made by mid-December 2015.

- **Production and issue of the Annual Benefit Statements** – These were issued in January 2016.

- **Review of scheme members benefits** - In the light of the latest changes to the Annual Allowance tax regime introduced in the Chancellor's emergency budget – this was completed by October 2015.

The report outlined the current projects:-

- **Valuation 2016** - Pension administrators were obliged to provide the Government Actuary's Department (GAD) with interim data as at 31 March 2015 last year. This data enabled GAD to have a snapshot of the liabilities of the existing schemes before the additional FPS 2015 and the modified section of the FPS 2006 were introduced on 1 April 2015.

The current project which all fire pensions administrators were undertaking was the full valuation of all four pension schemes (FPSs 1992, 2006, 2015 and modified). This was a much bigger piece of work than last year's valuation and it was imperative that the data provided to GAD was as accurate as possible, as the results of the valuation would be used to set the employer and employee contribution rates going forward. Data for the valuation must be submitted by 12 August 2016.

Impact of the Valuation Exercise on Administration Departments - In order to ensure that the data provided to GAD was accurate administrators need to be provided with details of the new starters to and leavers from the firefighters' pension schemes in a regular and timely manner.

As noted in the internal audit report the current process for providing data to the pensions team as the Fire Service's contractor had not been adequate. As a consequence of this a large amount of work had been identified as part of the year end process in order to ensure that all members had the correct pension information on their records.

- **Annual Benefit Statements 2016** - As set out in the Public Service Pensions Act 2013 the annual benefit statements due at the 31 March 2016 must be issued by the 31 August 2016. This was the first year that statements will have been issued for members of the FPS 2015, including members with connected benefits and for members of the modified section of the FPS 2006. This would be a complex and time consuming process for pensions departments and would put additional pressure on resources that would have been tied up for the valuation. The timescales given by the Government for the issue of these Statements was very tight. This was so that the Government could keep a close eye on income and outgoings. The Scheme had moved to a career average. Mr Moss advised that members of the pension schemes knew very little about this.

Mrs Daniels advised that they did not have the resources to put out additional information currently. The statements would be quite detailed and would include some comprehensive notes. If firefighters had any questions once the statements were issued then she would be more than happy to speak to them. She was anticipating calls back at that time. She

advised that they would also be issuing additional communications in relation to the Pensions Statements at that time. Mr Luznyj enquired as to how they were coping with the calls and was advised that currently the Pensions Team were not inundated with calls and that they were managing to get back to callers the next day.

• **Revised Processes for the Provision of HR Data to Pension Services** - As previously noted, there had been problems with the transmission of information from HR to Pension Services over the last 12 months. Pension Services currently had access to the Fire Service's payroll records and this facility enabled the administrators to double check information provided by HR and obtain payroll information directly without requesting reports from the Service's payroll section. A new process had been put in place with effect from 1st April 2016 and the efficacy of this was being monitored. If, as was likely to happen, the Service's payroll was moved to another provider, access to payroll data would be lost and it would be imperative that the information provided on membership movements was accurate and timely as there would be no facility to double check the information provided.

Miss Caiazzo advised that with regard to record keeping, this was one of the areas that the Pensions Regulator was focussing on and that administrators had strict timescales to comply with under the Disclosure Regulations. Record keeping was one of the areas of the Pensions Board's responsibilities. The Pensions Regulator would be contacting all administrators and Scheme Managers to check how this was progressing. Record keeping was a sensitive area.

Mr Chapman asked where the issues lay and was advised by Miss Caiazzo that the Pensions Team could only act on information that they received from the Authority to do with appointments, leavers, amendments to records, changes of addresses etc. This information could only come from the employer. Whilst Mrs Daniels was working hard on this new process she still had not received the completed information from April. Mrs Doran advised the Board that this was the sort of thing that the Board could ask for further information and feedback on to make sure that the process was working. Mr Chapman was concerned that the Pensions Board would not be meeting again until November. Mr Luznyj commented that they needed to be monitoring the administration process. They could feedback to the Board Members via email in the interim and report back formally to the next meeting. If the process was still not working then they could take immediate action.

The report concluded that it had been another busy six months for the fire team. The most important issue to resolve at was to ensure that the procedures for the transfer of information between Staffordshire Fire and Rescue Service and Staffordshire County Council Pension Services were robust and fit for purpose. The data originated with the Fire Service and if it was not communicated effectively to Pension Services, they would not be able to process benefits and maintain pension records in a manner consistent with the provisions of the legislation.

12. **RESOLVED** – (a) That the report of the Pensions Administrators be noted.

(b) That officers monitor the process for the transfer of information from HR to the Pensions Team to ensure that it was working effectively.

Administration of the Firefighters Pension Schemes – Service Level Agreement

13. The administration of the Firefighters' Pension Schemes 1992 and 2006 was taken over by the Pension Services Section of Staffordshire County Council from Capita in April 2014. The last two years had been a complicated period for the administration of the firefighter pension schemes and it was only now that, hopefully, there would be a period of stability that would allow the administration to enter into a more business as usual phase.

The administration overview paper presented to the Pension Board last September detailed a number of these complications encountered during this time:-

1. The transfer and reconciliation of all the membership data from Capita
2. The Retained Modified exercise, and introduction of the modified scheme
3. The introduction of the 2015 scheme
4. The removal of the Pension Administration post from the Service due to voluntary redundancy
5. The Pensions Ombudsman's Determination in GAD v Milne
6. The 2015 scheme valuation requested by the Government Actuary's Department (GAD)

As they were entering a period of stability there was much more certainty around the costs of the provision and the Pension Board were asked to review the Service Level Agreement (SLA) which included the agreed cost for this Service contained within Appendix 1 to the report and also the proposed Service Standards for the administration of the firefighter pension schemes. The Service Standards would also be reported to the Service Management Board. Mrs Daniels advised that the Service Standards outlined what firefighters could expect from them and what they provided for firefighters.

Whilst the basic administration costs and system costs had remained fairly constant during the last two years there had been additional costs incurred associated with the work streams that were not considered within the original scope of the service provision.

The SLA was in place for the financial year that commenced on 1 April 2016. Due to the uncertainty stated in the report the costs had been agreed and would be monitored by the Director of Finance, Assets and Resources to ensure that the service provided had delivered the level of service required during this period of change and uncertainty.

Miss Caiazza advised that for the Local Government Pension Scheme they were engaging Aon Hewitt to carry out a Pension Regulator Compliance Check. They would do a red, amber, green analysis to show where they were in relation to the LGPS. They were not expecting to be all "green" as there were pages and pages of compliances. This would give the pensions section comfort and show that they had a plan to address any problems. Mr Luznyj advised that the Firefighters Pension Schemes would be looked at in due course.

14. **RESOLVED** - The Board noted:

- (a) the Service Level Agreement between Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Staffordshire County Council.
- (b) the cost of this provision for 2016/17 of £95,025 as set out in Appendix 1.
- (c) the Service Standards for the administration of the firefighter pension schemes

Internal Audit of the Firefighters Pension Schemes

15. The report advised that Internal Audit had completed a review of the systems, controls and risks relating to the administration of the Firefighters Pension Schemes by Staffordshire County Council's Pension Services. The review was carried out as part of the 2015/16 Strategic Internal Audit Plan.

As at 31 March 2016 the Staffordshire Fire Officers Pension Scheme had 2231 members (active and retired). Staffordshire County Council's Pension Services had worked in partnership with Staffordshire Fire and Rescue Service to administer the scheme including payroll administration since 1 April 2014 using the Altair Pensions Administration system.

The objective of the audit review was to evaluate and test the key operational and managerial controls within the system, and to determine the extent to which those controls could be relied upon to ensure the system objectives were achieved.

The audit review was carried out to ensure that:-

- The legislative requirements of the Public Services Pensions Act 2013 have been complied with
- Eligibility of membership to the Firefighter pension scheme is validated prior to an individual's inclusion
- All income due to the Pension Fund is completely and accurately received
- All payments made from the Pension Fund are complete, valid and accurate
- Membership/pensioner data held by Staffordshire County Council's Pension Services is accurately maintained and held securely
- Adequate supervision and management structures are in place at Staffordshire County Council's Pension Services and between the "client" (SF&RS) and the "contractor" (Staffordshire County Council's Pension Services)

A copy of the final report was attached as an appendix to the report. There was one low level and three medium level recommendations which have been agreed by management.

Mr Luznyj asked if performance standards would be drawn up. Mrs Daniels advised that those standards were included in the Service Level Agreement. They would report on the service standards eg pensions processed in X number of days etc. This would happen in all cases except for where they had not received the data from HR. The feedback from firefighters was that they did get everything out to the firefighters before they retired. The Pensions Team were confident that they were doing everything that they should be doing, but were not monitoring it. Mr Luznyj advised that they needed to have a mechanism to check that everything was in place, so that this could be monitored.

16. **RESOLVED** - That the overall audit opinion of "satisfactory assurance" and the recommendations and management responses contained within the report be noted.

Training Needs of Board Members

17. The report summarised the training of Fire Pensions Board Members to date and asked members to complete a learning needs analysis, which was appended to the report, in order to identify any gaps in knowledge that could be addressed by further training.

Mrs Doran advised that it was important to ensure that members of the Board had sufficient knowledge to fulfil their obligations on the Board.

The report advised that four Members of the Pensions Board attended training in July 2015 run by the Local Government Association which provided an overview and insight into the requirements of the local Pensions Board. Since then there had been a change in membership with the retirement of Mr Stevens and his replacement on the Pension Board by Mr Luznyj. SFRS had liaised with Warwickshire FRS to provide some joint training from Clair Alcock of the Local Government Association. Mr Luznyj and Mr Mortimer attended this training on 18 May 2016 along with Mrs Doran. All training sessions by Board members would be recorded. There was also an online training tool that members of the Board could access. Over the next couple of months they would be able to identify gaps in training and put together a training plan.

Dependant on the training analysis there may be a cost for additional training for Pensions Board members. As an indicative cost the training with Warwickshire run by the LGA cost £313 for a half-day session, shared between the two services.

Mr Luznyj advised that the training that he did was very useful. Mrs Daniels asked whether the training was more to with the responsibility of the Board or the Scheme and Mrs Doran advised that the training covered both. Mrs Doran would circulate the slides to Mrs Daniels. Mr Luznyj suggested that maybe every fourth meeting of the Board could be a training session, tailored to the needs of the Board.

Mrs Daniels advised that they had a regional Fire Officer's Group (FOG) which met quarterly and a twice yearly Technical Working Group which would include Home Office updates and technical presentations. Mrs Daniels advised that she would share any relevant information/key issues with the Board as part of her administration report.

Mr Chapman commented on his role on the Board and not needing to have the very detailed knowledge of all the schemes. Mrs Doran advised that there needed to be a balance and that all members on the board would need a certain level of knowledge to fulfil the role of scrutiny and challenge. Mr Luznyj advised that they needed the basic knowledge without the detail. He referred to the "risk" outlined in the report which related to the pensions board having the appropriate understanding of their roles.

18. **RESOLVED** – (a) That the report be noted.

(b) That members of the Board committed to the completion of a learning needs analysis with the Director of People within the next 2 months.

Pensions Board Annual Work Plan

19. The Pensions Board was required to have an Annual Work Plan. A Work Plan was attached, as an Appendix, for consideration of the Board. The Board discussed the plane and added:-

- Monitor the transfer of data from Human Resources to the Pensions Team
- Consider the minutes of Regional Meetings at future meetings
- Training for members of the Board at every 4th meeting.

20. **RESOLVED** – That the Annual Work Plan for 2016 as revised by the addition of the above items be approved.

Communications to members of the Firefighters Pension Schemes

21. The report summarised the communications that had occurred with members of the Firefighters Pension Schemes since the last meeting.

Since the last meeting of the Pension Board in September 2015 the following information had been communicated to firefighter pension scheme members by being uploaded onto our intranet in April 2016. The guides included the latest contribution rate banding changes from 1 April and reference the end of contracting out.

The guides were also emailed to Pensions Board Members for information on 4 April 2016.

Guide to FPS 1992

Guide to FPS 2006 special retained ffs

Guide to FPS 2006 standard retained ffs

Guide to FPS 2006 Regular ffs

Guide to FPS 2015

Staffs On Call Issue 1 March 2016 (Newsletter to members) this was appended to the report.

Fire News Issue 2 Spring 2016 (Newsletter to pensioners) this was appended to the report.

The Board discussed the issue of some firefighters opting out of the pension scheme. Mr Moss **declared an interest** as he was a Trade Union representative at the time of the introduction of the latest Firefighters Pension Scheme 2015 and was aware of how the pension scheme members reacted. The 2015 scheme was not as good as the 1992 scheme but was still a good scheme, but some people may opt out through ignorance. Mr Chapman asked whether the scheme members had adequate information. Mr Moss advised that it was a deeply complex matter but it could be presented in a better way. He had advised people that the scheme was not that much different apart from having to pay more contributions. Not everyone had been promoted and the move to career average meant that the resultant pension for most would not that much different to the 2006 scheme. He knew of one person that had withdrawn from the 2006 scheme. He thought of the 2015 scheme as a 40 year scheme, which was his concern. Mr Chapman asked if the FBU were advising firefighters to opt in or out of the scheme. Mr Moss advised that the FBU were advising firefighters to remain in the scheme. Mr Luznyj advised that if they compared the firefighters pension scheme to a private pension scheme, the firefighters pension scheme was the clear winner. He advised that the 2015 scheme was an imposed scheme and the FBU had fought against its imposition. He indicated that there was a role that the Service could play internally in communicating issues and the implications of opting out to show that the “grass was not always greener”.

Mrs Daniels advised that the Chairman of the National Advisory Board, Malcolm Eastwood, former Chief Fire Officer, may have some information nationally on communications. Mrs Doran advised that there was a “route” to feed information into that group.

Mr Luznyj asked if there was anything that they could do immediately/locally now. Miss Caiazzo advised that they had drawn up “Frequently Asked Questions” for members of the Schemes. Mrs Daniels advised that so far they had just got the basic information out. They could take this to the communications group to see what they advised. Mr Luznyj asked if this information could be included in future Pensions Board updates.

Mr Moss commented that it would be useful to get the “first” year pensions statements. Mrs Daniels advised that people were being patient and waiting for August. She advised that this statement could be followed up with specific useful information.

Mr Moss advised that firefighters did not realise that no tax was applied to their pensions deductions. Mr Luznyj advised that it was important for firefighter to realise that the amount that they currently paid in contributions was taxable. Miss Caiazzo advised that if a firefighter opted out of the scheme then their pay would not go up by that amount as they would be taxed on it. Once the firefighters were told this then many change their mind and decide to stay in the scheme. Mr Moss advised that the employees also needed to know what the employer contributions were as they would not get these if they opted out.

Miss Caiazzo advised that they had a similar issue with the Local Government Pension Scheme when the contribution banding altered. They did quite a bit of work on this and it did settle down. They gave examples of what people could expect to get.

Mrs Daniels advised that 2/3 firefighters per month dropped out of the Firefighters Pension Scheme. In response to a question the Board were advised that they could opt back into the scheme if they wanted to.

Miss Caiazzo advised that if they got the opportunity to chat to the firefighters then normally by the end of the call when they knew the full facts they would decide to stay in the scheme. Once they were aware that if they withdrew they would not be covered for death/ill health benefits they quite often decided to stay in the scheme.

22. **RESOLVED** – That the communications to Members of the Firefighters Pension Schemes be noted.

Pensions Regulatory Survey

23. The Pensions Regulator (TPR) had released the results of the survey they carried out in the Summer of 2015 on the governance and administration of public sector pension schemes. The TPR’s summary of the survey results was attached as Appendix 1 to the report. The key points were as follows:-

Pension board set up - 92% of schemes had established pension boards at the time of the survey, though only 80% were actually in operation (i.e. meetings commenced), and the remainder of responses were that the boards would be operational within 6 months. While this was positive, TPR noted that there was still some work to be done in terms of ensuring they comply with the new requirements.

Internal controls - TPR recognised that 76% of funds had procedures to manage risk, and 82% had a risk register, but was concerned that only 56% assess their risks either quarterly or monthly.

Record keeping - Only 45% of schemes had measured themselves against the record-keeping requirements and only 27% had undertaken a data cleansing exercise. Only 71% had carried out a review of their data in the last year.

Breaches of the law - Only 55% of schemes who responded to the survey had procedures for identifying and assessing breaches in the law.

Self-assessment against the law and Code of Practice - TPR states "*We also expect all schemes to have assessed themselves against the law and our code of practice*" and that they would be ensuring that every fund reached a basic level of compliance within the next year. Only 44% of schemes who responded had already done this review.

What to expect in 2016 - As a result of the survey, TPR has decided to now focus attention on the key areas of internal controls, record keeping and provision of accurate and high quality communications to members.

The Pensions Board considered the results of the survey and implications for the work of the Pensions Board going forward. Points around procedures for identifying and assessing breaches in the law, risk registers and self-assessment had been added to the Work Plan.

Miss Caiazzo commented that some of the questions were difficult to complete as they required yes or no answers and therefore it was not an easy questionnaire to complete. The report itself was a little damning but she suspected that the questionnaire did not help.

Mr Chapman asked if there were any complaints on the scheme. Mrs Daniels advised that there had been no complaints. Mrs Doran advised that one case did go through the Internal Dispute Resolution Process.

23. **RESOLVED** – That the report be noted.

Fire Scheme Advisory Board

24. Mrs Doran advised that this was a National Board Chaired by Malcolm Eastwood and comprising 7 LGA representatives, 7 FOA, 4 FBU representatives and 1 APFO representative. The Board had met and was looking at Pensions communications. Mr Eastwood would be writing to all Pensions Board Chairs shortly.

25. **RESOLVED** – That the matter be noted.

Outstanding Firefighters Pension Scheme matter

26. From an interest point of view Mr Moss enquired as to the position of an outstanding pensions issue. The outstanding/ongoing issue related to the Firefighters Pension Scheme 1992 where there were those who were under the age of 20 and contributed to the pension scheme for more than 30 years. He asked whether the delay/backlog was down to the Government? He was advised that the issue was currently with the Home Office and there was still some work to do. The Home Office would hopefully issue guidance, once the preliminary work has been done. Mr Luznyj advised that if the firefighters left before 2006 they were not eligible for the payment.

Retirement Information

27. Mr Moss commented that there were a number of firefighters retiring at the same time and this was due to the two recruitment courses which took place in 1986, firefighters who were on the second course were just finishing. Some had been surprised at the documents that were required by the Service eg certificates of marriage, divorce, birth etc. Mrs Daniels advised that this information was imparted to the pension scheme members at their pre-retirement course. Mr Moss advised that a problem may have arisen recently

when a scheme member did not attend a pre-retirement course. Mrs Doran advised that this information could be put onto the "intranet" so that retiring firefighters knew what they would be required provide.

Date of Next Meeting

26. Attendees discussed possible dates for the next meeting. Further work needed to be done to establish a mutually convenient date and Board members would be advised as soon as the date was confirmed.

CHAIRMAN