

Minutes of the Pensions Board

**27 September 2018 at 1100 hours at
Fire Service Headquarters, Vauxhall Road, Birmingham**

Present: Mr Neil Chamberlain (Chair)
Mr Kal Shoker – Employer Representative
Wendy Browning Sampson – Employer
Representative
Emmett Robertson – Employee Representative
Mr Paul Gwynn (Adviser)

1/18 Apologies for Absence

Adam Harper, Employee Representative

2/18 Declarations of Interest

Emmett Robertson declared his interest as a Member of the Pension Scheme.

3/18 Minutes of Pension Board held on 20 July 2017

The minutes of the Pension Board held on 20 July 2017 were received.

4/18 Terms of Reference

The Terms of Reference of the Pension had been reviewed, revised and approved at the Annual General Meeting of the Fire Authority.

The number of employee and employer representatives had increased from 2 to 3. Employee representatives are elected and Employer representatives are appointed.

The Pension Board would now be meeting four times a year and Members were requested to familiarise themselves with the revised Terms of Reference, the role of the Board and its purpose.

The Board asked for a letter of invitation to be forwarded to Malcolm Eastwood, Chairman of the Scheme Advisory Board to attend a future meeting of the Pension Board.

The Board requested that the LGA Pension Adviser be approached to attend the December meeting of the Board to provide the free training available to all Pension Boards.

The Adviser also suggested that the Service could offer to host any of the national Pension meetings and agreed to contact the Pension Adviser.

It was also confirmed that the West Midlands Fire and Rescue Authority as Scheme Manager have delegated the role to the Audit and Risk Committee and the Chair of the Pension Board reports back to the Chair of the Audit and Risk Committee.

The Adviser stated that he had attended the Conference and stated that it was open to all Pension Board Members to attend to gain a better understanding of the legislation.

A copy of the Pension Regulator Guidance had been used and referenced when appointing new members and it was agreed that a link would be circulated to all Member.

5/18 Pension Board Supporting Information

The Pension Board received a presentation from the Pension Advisor in conjunction with the Pension Section Supporting Information report. The report covered the Basic Demographics as at 31 August 2018.

The Board noted the high number of non-members and the Adviser stated the main reason for this was a possible lack of understanding. The Adviser had noticed that people who were in 1992 scheme had joined reasonably young, moved to the 2015 scheme and then opted out in their late 30s.

It was confirmed that members are made aware of their benefits before they opt out.

The main reason for opt-outs was financial with many taking a break of 3 – 4 years and it was considered that they may opt back in. Then reason was considered to be because of the rise in the pension age to 67 in the new Scheme.

It was noted that the Police Pension Scheme was experiencing a similar pattern. Half of those who approached the Pension Team about opting out did not follow up with an application.

Activity Levels and Performance

The average age of members retiring was age 60 and the number had been a little lower than previous year.

There had been a slight increase in opt outs and this was mainly recruits. The recruits are auto enrolled as part of their contractual enrolment in accordance with the 2015 rules, then can opt out. During the six months ending August 2018, 18 Members had opted out, 15 of these were male, and the average age at opt out was 31. 8 of those opting out did so in the first 3 months and the average length of membership was 3 years and 313 days.

32 Applications to transfer in and out of the Scheme had been received

The average response time for divorce issues was 96 days, higher than the target of 92 days, primarily because the number of divorces had increased. The spike was also caused by two calculations now being required from the old scheme and the 2015 scheme.

The Advisor stated the obligatory time to respond to requests was 90 days. The work involved depended on the age and position and specific questions/follow up questions and what other work was required in the department.

Wendy Browning Sampson asked if there were any concerns with the gender of those opting out.

The Advisor was asked to report back to the Pension Board. He confirmed that he provided this information to the centre and would confirm in his next report. The number of men opting out was 3 to 1 woman and the ages were similar.

The Advisor suggested that people opted out due to financial reasons not gender and recruits are given information on Pensions when they join.

The Adviser informed the Board of the views of the Head of the Pensions Association in that people are making mid-life assessments and looking at moving their pension with their careers and pensions needed to become more portable.

The Adviser agreed to contact the Scheme Advisory Board Chair about national statistics for opts outs.

Internal Dispute Resolution Procedure (IDPR)

This is the method by which anybody with a complaint regarding the Pension Scheme and how its handled can get their complaint heard. They cannot put it through the grievance procedure.

IDPR is open to Scheme Members whether they a member (active, deferred or pensioner), a widow, widower or surviving dependant of a decease member or a surviving non-dependant beneficiary. All could potentially have a complaint.

During the year being reported four cases were received under the IDRP. The cases were set out in the report. The Adviser suggested that more people are using the complaints system as they don't like the scheme or some don't understand the scheme.

1 case had gone to the Ombudsman who had found in the Authority's favour.

1 case was when the complainant had subsequently gone back to speak to Chief Fire Officer.

2 cases were upheld at Appeal.

IDRP has 4 stages

- 1 DCFO
2. Appeals Committee
- 3 Ombudsman
- 4 Supreme Court – only if mistake of law involved.

Reconciliation of Guaranteed Minimum Pension (GMP) Records

Stage 1 queries submitted by 31 January deadlines for all schemes

HMRC initial data featured 2,212 records

Currently 777 records awaiting further investigation

The task is 63.4% complete and must be completed by the 31 December 2018.

The Home Office asked Services to a report to HMRC where GMP transferred to another fire authority but has become orphaned in the eyes of Revenue

The Adviser stated there may be one case that falls into this category from the mid 1980s and would check his records.

There were 230 cases where the HMRC thought members were with WMFS but they had transferred.

Data Quality Reporting to The Pension Regulator

There was a new expectation that Schemes would measure their data and test it for quality purposes. A further report would be presented on this subject to the December 2018 meeting of the Pension Board.

The Service had measured the Common Data, name, address, date of birth, service start date and had achieved a score of 95.12% and a target date for 100% completion was to be agreed by March 2019 .

The Scheme Advisory Board were to confirm details of the conditional data.

The Adviser would provide updated statistics on the missing information.

Collaborative working

Officers had met with West Midlands Police Managers on 19 October 2018 to discuss Data Quality checking. This had not gone ahead. A date was yet to be agreed for a joint training session with the Police.

Contact had been made with Warwickshire FRS however, their Pensions expert had left and not been replaced. The Adviser had given information to Warwickshire on a specific technical enquiry.

The Adviser was waiting for future advice and would discuss the Collaboration agreement with Warwickshire project with the Treasurer.

It was noted that the Pensions Team are represented on a lot of pension and payroll working groups.

The service had tendered to provide pensions services for Hereford and Worcester FRS but had lost out to West Yorkshire FRS on the basis of cost and inexperience of retained firefighter pensions.

FPS Bulletins and Scheme Advisory Board

Seven Bulletins had been issued since the last Pension Board meeting covering a wide range of topics

Local Pension Board were put in place to help the Scheme Manager, the Scheme Advisory Board (SAB) was put in place to assist the Minister

The Adviser stated that the SAB was helpful and active, Malcolm Eastwood was the Chair, and Claire Alcock, Adviser, Claire Hey, Assistant Adviser, Helen Scargill Technical Advisor, and other Members appointed by the Unions were able to provide advice and support to Pensions Teams.

The SAB have Working Groups:

- Technical Working Group - looks at Regulations
- Communications - to ensure consistent messages across the country
- Benchmarking – looks at the cost of administration.

Paul Gwynn is on Technical Working Group

Christina Jackson is on the Communications group

Ian Cross is a member of the Regional Fire Officers Group

The Brigade had hosted the Communications Group and Claire Hey and Clair Allcock had attended. The Adviser recommended making contact with them and getting involved with the SAB as this would bring the many benefits of networking.

Members would review the FPS Bulletins and The Adviser would bring important items to the attention of the Pension Board.

The Advisor confirmed the Annual Benefit Statements had all been issued on 25 July 2018 which was before the 31 August 2018 deadline and this work was managed by the Pensions Team.

The Chair thanked the Advisor for the time and effort put into producing the report and presentation and found it useful and informative.

6/18 **Scheme Advisory Board Survey – West Midlands responses**

The Adviser stated that the 2018 Annual survey was expected imminently and was aimed at the Board. It was suggested that Members view the Survey and feed their thoughts into the return to achieve a shared input in the completion of the survey. This would take place outside of the meeting.

It was noted that the Pension Board is operating more in line with the outcomes of the 2017 Survey.

7/18 **Scheme Advisory Board Bulletins**

The Scheme Advisory Board Bulletins had been circulated to Members of the Board and the contents discussed under other item 5 of the Agenda.

8/18 **Annual Pensions Conference 2018**

The Adviser had attended Day 2 of the Annual Pensions Conference 2018 and had circulated powerpoint slides from the Conference which he had found highly informative. The Adviser had attended a Pensions Appeal on the first day of the conference and couldn't attend, but recommended attendance at the Conference in 2019 as it provided highly useful networking opportunities. A full list of attendees was provided via a link in FPS Bulletin 12, but an example of attendees was given as HR Managers, Treasurers, Pension Board Members, Firefighters and Solicitors.

Dates of future Conferences would be advertised in future Bulletins and the Adviser stated that attendance would be very worthwhile for members of the Board.

The government were reviewing the valuation of the Scheme which occurs every 3 years.

The cost of the scheme had fallen below the floor, and therefore was costing less than the government had anticipated.

The likely outcome of this is that from April they will alter the accrual rates. This will mean that members will earn more Pension per year for the next 3 years.

Turning to Employers contributions the SCAPE rate has changed and this is impacting on the Employers contribution rate.

SCAPE means the Superannuation Contributions Adjusted for Past Experience and is used to measure the potential return for unfunded public sector pension schemes as if they had real money.

The imaginary returns have gone down as a result of the change to the SCAPE rate and as such Employers will need to pay more.

The suggestion is that the increase will be reasonably sizable.

Fire Leaders Association have submitted an appeal to HM Revenue on the amount of tax being paid by their members which they believe is an unintended result of changes to pension taxation.

Budgeting
Medical appeals
Pension scheme when combined useful technically.

Case law

It should be noted in the Risk Register that on 5 November – the Pension Appeal on the 2015 transitional regulations will take place.

Protections in place and how benefit calculated.

10 years protection - Remain in scheme until retirement

5 or 10 years - Remain in scheme for a period of time before moving to 2015 scheme.

Over 10 years - No protection

This has been challenged by FBU on grounds of age discrimination

The original tribunal upheld the FBU's appeal on one part of the case but rejected it on the other.

The FBU appealed the part they lost and the Government did likewise.

The outcome of another Tribunal is expected 5 November 2018.

The Adviser suggested that this should be added to the Risk Register for the Board to consider. There could be a major impact on the organisation and Pension Team.

In the event of the Court finding in favour of the FBU the transitional regulations become unlawful, and potentially no one has any protection.

A question has arisen regarding what the Pensions Team should do about answering enquiries in anticipation FBU won and Appeal

Emmett Robertson asked if the scheme cost the government less to run, would they be looking at contribution rates coming down?

The Adviser felt that this could be an option.

SAB would make recommendations to the Minister. The Minister need to accept if not then there would be a change accrual rate.

SAB may suggest a change to the accrual rate.

Benchmarking Survey is for all members, Pension Boards/Scheme Manager and Scheme administrators

The Report provides information to the Minister on how the scheme is being run.

The Pension Board should be prepared to provide its views of the issues.

This would be added to the Work Plan for the next 12 months
There was an expectation that Members should attend and that attendance should be shared out.

The Pension Board would complete the Survey and should consider attending the Pensions Conference.

9/18 **Risk Register as at September 2018**

The Adviser recommended to the Board that it added the outcome of the Pension Appeal in November 2018 to the Risk Register as the outcome could cause a serious restriction on the Pension Section.

The Chair asked for Risk Owners to be added and for Members to consider the Risk Register as a “living” document and for all Members to review the Register and provide feedback on the document at the next meeting.

10/18 **Recruitment of Process for New members**

The Board discussed the recent Recruitment Process for New Members of the Board. The Adviser stated that there was not any specific legislation for this, but that the Scheme Manager is responsible for the recruitment and the Employee and Employer Representatives should be equal.

The Board had decided that it would obtain Employee Representatives by election and Employer Representatives by nomination.

There had been one expression of interest at the closing date and the date had therefore been extended with the agreement of the Chair in order to gain further expressions of interest to give Members more choice of representatives.

An Election was held but there was an unfortunate issue around the election and the elections were anonymous initially.

It was agreed that the Recruitment Process needed to be added to the Terms of Reference of the Board.

The Pension Board agreed to look at the Recruitment Process for the next round of recruitment to increase awareness. The Board agreed to plan and communicate the election period more widely and would raise awareness of the role through the Fire Brigades Union.

The third Employer Representative had not been appointed and officers were working with the organisation to identify a suitable person. The Chair said it was important to have three employer representatives.

12/18 **Future Governance Arrangements**

Mr Kal Shoker informed the Pension Board of the potential change in governance arrangements from the West Midlands Fire and Rescue Authority to the West Midlands Combined Authority (WMCA). Currently the Scheme Manager is the Audit and Risk Committee and it is not clear, at the present time, who will take on this function in the WMCA.

WMCA currently have an Audit Committee and possibly a Mayoral Fire Committee with responsibility for Fire if the Order to transfer is made law.

The Adviser stated that this matter is linked to the Scheme of Delegations. The Scheme Regulations state that the Scheme Manager will be the responsible authority. If the WMCA becomes the responsible Authority they will become the Employer and Scheme Manager and could delegate this role to a Committee or an Officer.

As an example when Manchester Fire and Rescue Authority had moved to Greater Manchester Combined Authority, the Head of HR had been appointed as the Scheme Manager.

The Chair confirmed that there would still be a requirement for a Pension Board and this change would not have any impact on employee representatives, but may affect employer representatives.

The Advisor stated that this was important as he would need to know who should be asked about discretions when the possible transfer happened on 1 April 2019.

It was noted that this issue was being discussed as part of the Transfer of Governance project plan.

It was agreed that the Board would inform the Scheme Manager of this fact and make a recommendation as to where the role should sit. The Chair would inform the Audit and Risk Committee when presenting the minutes of the Pension Board.

13/18 **Training/Pension Board Skills Audit**

The Pension Board had undertaken a skills Audit, however, had decided to undertake the exercise again to include the new members of the Pensions Board. The outcome of the Audit would dictate any future requirements. The Clerk would collate the results and provide them to the Board at the next meeting.

14/18 **Update on Topical, Legal and Regulatory Issues**

Transitional regulatory appeal. No other regulatory
Home office consultation

Nominations and an amendment regarding split pension
Legislation has been issued

IDRP Appeal

At the Appointments, Standards and Appeals Committee, Members had asked if it was appropriate for an appellant to be at the Committee. They asked if the IDRP process needed to be reviewed.

The Adviser suggested Pension Board may want to look at this.

Wendy Browning Sampson stated that from memory Appeals Committee would have been with the claimant years ago.

However, the process had changed following some dialogue with Sandwell legal who had recommended there was no need for it to be so formal. The then Appeals Committee would conduct a paper review and make a decision on the paper review.

There were no legal requirements, providing information was provided.

The Adviser could see the logic behind the paper exercise.

Currently, the Authority receives the complaint
Deputy Chief Fire Officer (DCFO) Reviews complaint and makes decision
Member can appeal DCFO decision stating the basis for their appeal.
Appointments, Standards and Appeals (ASA) Committee is called
The Adviser presents a management case and advises the Deputy Chief Officer.

The DCFO can attend to provide an overview of his decision but is not there to influence to Committee. The ASA are there to make a decision.

Members appeal don't agree with outcome.

The Board asked whether the DCFO should be there presenting overall case.

The Chair held no strong view on this matter.

Wendy Browning Sampson agreed to contact the Monitoring Officer to confirm that the previous advice given was appropriate.

Kal Shoker stated that the ASA should be acting in accordance with the regulations.

15/18 **Pension Board Activity Log 2016-18**

The Pension Board noted its Activity Log.

16/18 **Pension Board Work Programme 2018/19**

The Pension Board noted its Work Programme and the key dates would be updated.

17/18 **Home Office Consultation Response**

The Pension Board noted the Home Office Consultation Response.

18/18 **Date of Next Meeting**

The date of the next meeting was confirmed as Tuesday, 4 December 2018 at 1500 hours.

The meeting closed at 1650 hours.

Contact Officer: Julie Connor Strategic Hub 0121 380 6906 Julie.Connor@wmfs.net

PENSIONS BOARD

27 September 2018

ACTIONS

Action No.	Action
1.	Chair of SAB, Mr Malcolm Eastwood, and LGA Adviser, Mrs Clare Alcock to be invited to a future meeting of the Pension Board.
2.	A link to the Pension Regulator Guidance to be circulated to all Members of the Board.
3.	The Adviser to provide a break down of the gender of those opting out of the scheme.
4.	The Adviser to contact the Chair of the SAB for national statistics for opt outs.
5.	Data Quality Reporting Report to be prepared for December Pension Board and updated statistics.
6.	Adviser to review Bulletins and bring important items to the attention of the Board.
7.	All to Review SAB Survey and feed their thoughts into completing the Survey outside of meeting.
8.	Risk Register to be updated with Transitional Regulations and Risk Owners named to be added to the Register. All to view and provide feedback at next meeting.
9.	The Clerk to circulate the skills audit used by the Police to Pension Board members for completion. All members to complete the Skills Audit prior to the next meeting. The Chair to liaise with Julie Connor.
10.	Chair of Pension Board to inform the Scheme Manager of the risks associated with the change of Governance arrangements at the next Audit and Risk Committee.
11.	Wendy Browning Sampson agreed to contact the Monitoring Officer about the previous advice regarding IDRs.