

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**18 JULY 2022**

1. **PENSIONS BOARD – PENSION ADMINISTRATION ISSUES**

Report of the Clerk and Treasurer.

RECOMMENDED

- 1.1 THAT the Committee note the recent issues regarding pensions administration and steps taken to resolve or further investigate.

2. **PURPOSE OF REPORT**

- 2.1 This report is submitted to inform Members of the range of recent issues with the Firefighters' Pension Scheme administration and the steps taken by WMFS to resolve them and report them as required. It also provides an update on some of the early learning taken from these issues, changes made, and plans to undertake a further independent review.

3. **BACKGROUND TO THE ISSUES**

- 3.1 Several issues have arisen over recent months with the processing of payments to Firefighters' Pension Scheme members and their dependants. These problems can be broken down into four broad areas.

3.2 **PAYE**

- 3.2.1 It is a requirement for the Payroll Team to report to HMRC each month details of the gross and net payments made and the associated tax and NI deductions for all staff and pensioners. In December 2021, the Monthly Return for the Pensioners was rejected by HMRC's system. This was due to an incorrect character appearing in the address field for an overseas pensioner. A Help Desk call was raised with NAMOS, our system support company, at the time that this

issue arose. NAMOS identified that the issue was with the software itself and the matter was then raised with ORACLE, the system supplier. A solution to this problem was eventually found and the December submission was sent in April 2022. An attempt was then made to submit a return for January, but a different error was encountered, this time related to an individual who is an employee and a pensioner. The matter was with NAMOS for around six weeks following the attempted January submission and was finally resolved on 1st June 2022.

3.2.2 As a result of the failure to submit the relevant Monthly Returns, HMRC's back-office systems treated the pensioners as if they were no longer in receipt of their Firefighter pension. This caused some problems until the new tax year began. At the start of the new tax year HMRC began to issue new tax codes to pensioners with a second source of income on top of their Firefighter pension (not including a state pension), resulting in those pensioners underpaying tax. The first pensioner payment in the new tax year was 1st May, following which concerns were raised by a number of pensioners affected by the issue.

3.2.3 As stated earlier, the processing issue to HMRC was resolved at the start of June although it may take a number of weeks for the update to filter out from HMRC to individual pensioners. In the meantime, the Pension Team are available to support any individual tax related queries/concerns.

### 3.3 Calculation of April Payments

3.3.1 All pensioners over the age of 55 or who retired on ill health grounds and anyone in receipt of a dependant's benefit are eligible to have their pension increased each year in line with Government guidance. The increase this year was effective from 11th April 2022 and therefore formed part of the April pension payment.

3.3.2 Prior to the move to the new payroll system, payment for periods where a change of rate occurred part way through a month were calculated manually and the relevant adjustment was entered by the payroll team as a separate entry to the payroll. On implementation of the new system, the standard ORACLE formula was adopted for these situations. The

system generated calculation delivered a lower amount than the previous calculation.

3.3.3 Following a review of the above it was agreed that the previous calculation would be re-instated, and arrears were paid to affected members on 1st June 2022.

#### 3.4 Payslips provided for May payment – data breach

3.4.1 The above two problems resulted in a number of concerns and questions from Pensioners and in line with previous arrangements regarding notification of new annual pension figures and to endeavour to reduce the number of enquiries that were being received, arrangements were made to send each pensioner a copy of their May payslip. The payslips are not designed to be printed as ORACLE is set up for online delivery only. As such the documents featured certain personal data not contained in the payslips from the previous payroll system.

3.4.2 A number of pensioners raised concerns regarding the manner in which the information was sent out and as a result the Service immediately launched an investigation. This identified the documents were not sent in a suitable manner, specifically because in some instances, personal information was showing in the window of the envelope. The documents within the envelope contained bank details and National Insurance numbers in full which were not obfuscated.

3.4.3 With immediate effect no further payroll documents will be sent out via Royal Mail in window envelopes. The incident has also been reported to the Information Commissioner's Office (ICO) for an independent investigation into this matter and a letter sent to all pensioners highlighting the issue together with the actions taken by the Service.

3.4.4 All pensioners were contacted by letter in relation to the data protection breach to apologise and advising them about the background, steps taken to mitigate, report made to the ICO, and links to other online information about protecting against identity theft.

3.4.5 All affected pensioners have also been signposted to the “CheckMyFile” credit checking service to support them to check for potentially fraudulent activity and take any necessary steps as a result of the data breach. This service has been identified as the most comprehensive available. WMFS will meet the cost of this service for those pensioners who take up the option for a period of three months. There will be no impact on an individual’s credit score as a result of using the service.

### 3.5 Incorrect Figures in communication to members

3.5.1 In most years a communication, either a letter or email, has been sent to all pensioners providing confirmation of their ongoing pension and dates of payment. This communication was produced and issued during the first two weeks of June.

3.5.2 Included within this letter was an explanation of the problems encountered and an apology for any distress caused. Due to the way that data required to produce the communication is held within the pension administration system, some members received an email with incorrect figures. This became apparent quickly and a corrected email were issued the same day. The problem affected a small group of pensioners whose benefits had been reduced following divorce.

3.5.3 If individual pensioners continue to experience problems, they have been advised to raise them directly with the Payroll and Pensions Manager so that they can be monitored and dealt with in a prompt and efficient manner.

## 4. REMEDIES AND FURTHER INVESTIGATION

### 4.1 Changes to pension administration team

4.1.1 In order to provide increased resilience for ongoing pensions related work and in recognition of the anticipated increase in work associated with Immediate Detriment cases, arrangements are being made to increase the capacity within the Pension Team by recruiting further staff on a temporary and full-time basis.

## 4.2 Further investigations

4.2.1 The Authority will also commission an independent review of the issues identified above, delegated to the Chair of Audit and Risk Committee. This will be undertaken by a third party and the views of Pension Board members will be sought during this process. Key findings of the report will be shared with Audit and Risk Committee and Pensions Board in due course.

4.2.2 Further to the above, and to actions such as self-reporting to the Information Commissioners Office regarding the data breach, the service is going to undertake an internal structured debrief through our Organisational Intelligence function of each of these issues, to identify areas for learning and improvement.

## 5. **EQUALITY IMPACT ASSESSMENT**

5.1 In preparing this report an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report do not relate to a policy change.

## 6. **LEGAL IMPLICATIONS**

6.1 The Audit and Risk Committee has delegated responsibility for the role of Scheme Manager on behalf of the Authority, who hold such responsibility under The Firefighters' Pension Scheme (England) Regulations 2014. The role of Scheme Manager is to have overall responsibility for the management and administration of the scheme.

## 7. **FINANCIAL IMPLICATIONS**

7.1 There will be a cost associated with the credit checking service, the scale of which will be affected by the number of pensioners who take up that service.

The independent review of Pension Scheme Administration will have a financial impact as a result of paying an external third party to undertake the review, be that in fees or expenses.

The contact officer for this report is Tom Embury, Deputy Clerk to the Authority.

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