



**NOTTINGHAMSHIRE**

**Fire & Rescue Service**

*Creating Safer Communities*

## **LOCAL FIREFIGHTER PENSION BOARD**

to be held on

**Wednesday 23 July 2018**

**11:30**

**Rowan Room, Headquarters**

### **AGENDA**

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#### **PART 1 (OPEN TO PUBLIC)**

- 1 Declarations of Potential Conflicts of Interest (see note 1)
- 2 Apologies for absence
- 3 Appointment of Chair
- 4 Minutes from the last meeting
- 5 Current Issues
- 6 Risk Register
- 7 Internal Audit Reports
- 8 Any Other Business

#### **PART 2 (CLOSED TO PUBLIC)**

- 1 Managing risk and internal controls - Training
- 2 Any Other Business

#### Notes:

- 1 LFPB members will need to have read the Conflicts of Interest Policy before the meeting and considered whether or not they have any potential conflicts of interest. If they believe that there may be a potential conflict of interest, members must contact Becky Smeathers [becky.smeathers@notts-fire.gov.uk](mailto:becky.smeathers@notts-fire.gov.uk) prior to the day of the meeting to discuss.

#### Invited Attendees:

##### LFPB Members

Employer  
Representatives:

Craig Parkin (ACFO)  
  
Cllr Sybil Fielding  
Cllr Francis Purdue-Horan  
(substitute)  
Mark Stilwell (FBU)  
Dean Gillen (substitute)  
Andrew Kelly (FOA)

Employee  
Representatives:

##### Other Attendees

Scheme Manager                      Becky Smeathers  
  
HR Adviser                                Nick Linthwaite  
  
Scheme Administrator                Ian Howe  
  
Assistant Scheme  
Administrator                            Elena Johnston

# Local Firefighters Pension Board

Wednesday 14 March 2018 at 14:00  
Birch Room, HQ

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## Attendees:

### Board Members:

Cllr Sybil Fielding – Employer Representative (SF)  
ACFO Craig Parkin – Employer Representative (CP)  
Andrew Kelly – Employee Representative (AK)  
Mark Stilwell (FBU) – Employee Representative (MS)  
Dean Gillen (FBU) – Substitute Employee Representative (DG)

### Board Advisers

Becky Smeathers – Scheme Manager (BS)  
Nick Linthwaite – HR Adviser (NL)  
Ian Howe – Scheme Administrator (IH)  
Elena Johnston – Assistant Scheme Administrator (EJ)

Agenda Item	Commentary	Outcome	Decision log. Action . . .	
			By Whom	By When
1	<b>Declarations of Potential Conflicts of Interest</b>			
	None submitted.			
2	<b>Apologies for absence</b>			

Agenda Item	Commentary	Outcome	Decision log. Action . . .	
			By Whom	By When
	Cllr Sybil Fielding – Employer Representative (SF) Dean Gillen (FBU) Substitute Employee Representative – (DG)			
<b>3</b>	<b>Appointment of Chair</b>			
	Deferred to next meeting.			
<b>4</b>	<b>Minutes of the Meeting on 15 November 2017 and Matters Arising</b>			
	<p>It was confirmed that the minutes are accurate.</p> <p>LFRS, NFRS and DFRS wrote jointly to LGA regarding the process for setting up a Joint Pension Board. IH will go back to Claire Allcock for update.</p> <p>IH to host a workshop with the reps and scheme managers from the three fire authorities and LGA and scheme to discuss key areas.</p>	<p><b>Action: IH to host a workshop with the reps and scheme managers from the three Fire Authorities and LGA (Claire Allcock) to discuss key areas. Arrange for May. IH to provide a selection of dates to everyone.</b></p>	<b>IH</b>	
<b>5</b>	<b>Current Pensions Issues (report)</b>			
	<ul style="list-style-type: none"> <li>(2.7) Annual benefits statements - looking at introducing I-connect to enable monthly reporting of pension information to enable a dashboard to be created. Have been issues extracting information from NFRS and DFRS payroll system with biggest problem being employees with dual contracts. Both organisations met last week to try to resolve the problem. Trying to get another report written out of the NFRS payroll system to help obtain more of the information; however, not going to be ready for deadline. Agreed with Stuart (LCC) to aim to be ready for September in preparation for the next</li> </ul>			

Agenda Item	Commentary	Outcome	Decision log. Action . . .	
			By Whom	By When
	<p>regional meeting. It was confirmed that Leicestershire are ready.</p> <ul style="list-style-type: none"> <li>• (2.8) At the last regional meeting it was agreed to exclude spouses information from the ABS due to accurate information not being available. When queried with LGA, 2006 regulations conflicted with 2015 regulations. Have asked for it to be brought up with technical group next month. Outcome should be available in April.</li> <li>• (2.13/2.14) (Discrimination claim) - This has now been referred back to tribunal for appeal and has been added to the risk register.</li> <li>• The pension metrics will in future be attached to the Current Issues paper as an appendix.</li> <li>• CP had a conversation with regional FBU representative regarding potential increased levels of opt outs. IH advised that they have not increased; however, he will let everyone know if anything starts to change. There has been talk at stations regarding an issue around financial pressures prompting staff to consider early release of pension. Next report on opt-outs is due soon.</li> <li>• Leicestershire has proposed requesting details from the LGA regarding the scheme actuarial valuation impact given its delay. CP will recommend to CFO to support the letter to Scheme Advisory Board. BS will speak to Claire at FFN.</li> </ul>	<p><b>Action: CP will recommend to CFO to support the letter to Scheme Advisory Board.</b></p> <p><b>Action: BS to ask Claire at FFN meeting next week to find out what the position is regarding opt-outs.</b></p>	<p><b>CP</b></p> <p><b>BS</b></p>	
<b>6</b>	<b>Risk Register</b>			
	Accuracy of data is one of the biggest issues facing pensions and			

Agenda Item	Commentary	Outcome	Decision log. Action . . .	
			By Whom	By When
	<p>several of the risks identified in the risk register relate to this.</p> <p>There is currently an internal audit on contribution rates and there will be a further audit early in the new year looking at GDPR and accuracy of data. This will form the basis for a data improvement plan. Need to ensure that we are complying with current legislation. Once all the audits are complete, BS will bring results back to the board.</p> <p><u>GDPR</u> There is an operation in May. IH's team has come up with a template of information and he is happy to share information to us.</p> <p>(2.6) Trying to do a regional approach. GDPR officers at each Service are working together. Ceri Baldwin is the GDPR officer from NFRS. As soon as IH has the information he will share with GDPR officers. Ceri keeps CP updated regularly regarding GDPR.</p> <p>The software provider, Haywood, has been contracted until 2029. IH to arrange for Haywood to come along and see us.</p>	<p><b>Action: BS/IH Meeting to be sent up for IH/BS/NL/Ceri Baldwin and to discuss GDPR.</b></p> <p><b>Action: IH to arrange visit from software provider Haywood.</b></p>	<p><b>BS/IH/NL</b></p> <p><b>IH</b></p>	
<b>7</b>	<b>Breaches Register</b>			
	<p>The breaches register forms part of good administration and governance arrangements. The Pensions Act 2004 requires the reporting of pension breaches. LGA have issued a template which has been used to create an internal procedure for assessing breaches and ensuring that they are reported when necessary.</p> <p>The date on the register is August; however, this should be September. BS will update.</p>	<p><b>Action: Add Pension Breaches Register Issues on as a standing item on the agenda.</b></p> <p><b>Action: BS to keep breaches register up-to-date. Date needs to be changed from August to September.</b></p>	<p><b>DB/Philippa</b></p> <p><b>BS</b></p>	
<b>8</b>	<b>Draft Annual Report</b>			

Agenda Item	Commentary	Outcome	Decision log. Action . . .	
			By Whom	By When
	<p>Every year an annual report is taken to the Policy and Strategy Committee. The scheme is managed by the Fire Authority which is delegated down to BS.</p> <p>2.9 needs to be amended. Need to be changed to four. National regulations on pension boards requires the constitutions to be four. There has always been two Employee and two Employer at NFRS but BS will confirm. The Chair employee needs to be changed.</p> <p><u>Training</u> A training plan has previously been attached to the report. No one has contacted BS or NL re training. If anyone has done any could they please let BS/NL know so that the register can be updated?</p> <p><u>Board Activity</u> Key areas which have been worked on over the past year include; register of breaches, update on data protection and tribunal.</p>	<p><b>Action: BS to check that there is a minimum of four members (two employee and two employer) and substitutes need to be in place.</b></p> <p><b>Action: IH to send legislation to BS.</b></p>	<p><b>BS</b></p> <p><b>IH</b></p>	
	<b>Any Other Business</b>			
	<p><u>Death Grant</u> MS queried the Expression of Wish re the death grant for Nottinghamshire, Leicestershire and Derbyshire. Under 2006 version it was automatic whereas 2015 version requires staff to nominate.</p> <p>A link to Pension Administrator page on MyNet to obtain form.</p> <p>Also need to advise people to look at their annual benefit statement to see who they have nominated and ask them to update where needed. Those who have carried across from 2006 will not have nominations.</p> <p><u>Date of Next Meeting</u></p>	<p><b>Action: A link to the Pension Administrator's page to be added to MyNet so that the form can be accessed easily. EJ to send a copy to NL.</b></p> <p><b>Action: BS to do staff briefing Pension Death Grant.</b></p>	<p><b>EJ/NL</b></p> <p><b>BS</b></p>	

Agenda Item	Commentary	Outcome	Decision log. Action . . .	
			By Whom	By When
	The next meeting date is yet to be set but should be sometime in June.	<b>Action: BS to circulate dates for next meeting.</b>	<b>BS</b>	

### Pension Board Meeting Actions (as at 14 September 2016)

	SMF Discussion Date	Subject	Commentary	Due Date	By Whom	Comp	Over due	Comment
1	13/01/2017	Current Pensions Issues	SM to draft a letter inviting Malcolm Eastwood to the board.		SM			
2	13/01/2017	Current Pensions Issues	IH/SM to arrange a demo to see the LGPS modeller.		IH/SM			
3	13/01/2017	Current Pensions Issues	SM/SB to discuss what needs to be included in the annual report.		SM/SB			
4	14/06/2017	Confirmation of Appointment of Board Members and Substitutes	CP / SF to discuss a substitute for SF		CP / SF			
5	14/06/2017	Training Plan	Substitute members to ensure they undertake all necessary training		All			
6	14/06/2017	Training Plan	Board Members to note recommendations on the training plan		All			
7	15/11/2017	Current Pensions Issues	BS to review the risk register in regard to budget implications and risk on the FF Pension Scheme valuation as at 31 March 2016		BS	14/03		
8	15/11/2017	Current Pensions Issues	Contributions holiday for FF's serving over 30 years – to be removed from agenda for future meetings		BS	14/03		
9	15/11/2017	Current Pensions Issues	LFRS, NFRS and DFRS to write jointly to LGA on taxations of ill health pensions		BS / IH	14/03		
10	15/11/2017	Current Pensions	BS to add there will be more ill		BS	14/03		

	SMF Discussion Date	Subject	Commentary	Due Date	By Whom	Comp	Over due	Comment
		Issues	health retirements with an aging workforce					
11	15/11/2017	Current Pensions Issues	BS to put the risk register as a separate agenda item for future meetings		BS	14/03		
12	15/11/2017	Current Pensions Issues	Clarity on GDPR data is required – what is / isn't provided / shared		IH / BS			
13	15/11/2017	Pensions Metrics	BS to add the metrics to 'Current Pension Issues' for next meeting		BS	14/03		
14	14/03/2018	Current Pensions Issues	IH to host a workshop with the reps and scheme managers from the three Fire Authorities and LGA (Claire Allcock) to discuss key areas. Arrange for May. IH to provide a selection of dates to everyone.		IH			
15	14/03/2018	Current Pension Issues	CP will recommend to CFO to support the letter to Scheme Advisory Board.		CP			
16	14/03/2018	Current Pension Issues	BS to ask Claire at FFN meeting next week to find out what the position is regarding opt-outs.		BS			
17	14/03/2018	Risk Register	BS/IH Meeting to be sent up for IH/BS/NL/Ceri Baldwin and to discuss GDPR.		BS/IH			
18	14/03/2018	Risk Register	IH to arrange visit from software provider Haywood.		IH			
19	14/03/2018	Pension Breaches	Add Pension Breaches Register Issues on as a standing item on the agenda.		BS/DB			
20	14/03/2018	Pension Breaches	BS to keep breaches register up-		BS			



	SMF Discussion Date	Subject	Commentary	Due Date	By Whom	Comp	Over due	Comment
			to-date. Date needs to be changed from August to September.					
21	14/03/2018	Draft Annual Report	BS to check that there is a minimum of four members (two employee and two employer) and substitutes need to be in place.		BS			
22	14/03/2018	Draft Annual Report	IH to send legislation to BS.		IH			
23	14/03/2018	Death Grant	A link to the Pension Administrator's page to be added to MyNet so that the form can be accessed easily. EJ to send a copy to NL.		EJ/NL			
24	14/03/2018	Death Grant	BS to do staff briefing Pension Death Grant.		BS			
25	14/03/2018	Death Grant	BS to circulate dates for next meeting.		BS			

## Local Firefighter Pension Board

# CURRENT PENSIONS ISSUES

## Report of the Scheme Manager

**Agenda Item No:** 5

**Date:** 23 July 2018

**Purpose of Report:**

To update Board members on current and recent pension issues affecting the Nottinghamshire firefighter schemes.

**Recommendations:**

That Board members note the content of this report.

### CONTACT OFFICER

**Name :** Becky Smeathers, Scheme Manager

**Tel :** 0115 967 0880

**Email :** [becky.smeathers@notts-fire.gov.uk](mailto:becky.smeathers@notts-fire.gov.uk)

### 1. BACKGROUND

- 1.1 The Local Firefighter Pension Board is responsible for assisting the Scheme Manager in ensuring the effective governance and administration of the firefighter pension schemes. In order to fulfil this responsibility, it is important

that Board members are aware of significant pension issues and can be assured that these issues are being dealt with

- 1.2 Pensions have grown in significance over past few years. Nationally the Hutton review has brought about changes to public service pensions and the introduction of a new firefighter scheme (FFPS 2015). Legal challenges have resulted in redress for some employees with retrospective membership allowed, as well as compensation payments. In addition, changes to the State Pension are resulting in significant additional workloads.
- 1.3 The purpose of this report is to inform members of the Board of all current and recent pensions issues which are being or have been dealt with, and the implications of these issues. This report is an update on the report of the same title presented to the Board in March 2018.

## **2. REPORT**

### **Part Time Workers - Prevention of Less Favourable Treatment Compensation**

- 2.1 In 2009/10 the Authority set aside £224k to meet the payment of compensation to Retained firefighters, arising from an employment tribunal test case relating to the "Part Time Workers (Prevention of Less Favourable Treatment) Regulations. It was found that Retained firefighters had been treated unfairly compared to their Wholetime counterparts with regards to certain elements of their terms and conditions of employment.
- 2.2 In 2011 a methodology was agreed to calculate compensation amounts for Retained firefighters affected by the ruling. Most compensation amounts have now been paid, although there are still some outstanding. A circular was issued by the National Employers late in December 2016 giving an update on this issue, and this was followed by a final report on the status of all outstanding cases received in January 2017. The Authority is awaiting confirmation from the National Employers that an application can be made to the Employment Tribunal to have any remaining cases struck out so that this matter can be brought to a close. The Authority still has £22k of the original funding remaining to cover the estimated outstanding liability and any of this funding which remains unclaimed will be returned to the revenue budget once the matter has concluded.

### **Firefighters Pension Scheme Valuation as at 31 March 2016**

- 2.3 The firefighter pension schemes are subject to an actuarial valuation every four years, which is different to the tri-annual valuation of the Local Government Pension Scheme. The valuation is carried out by the Government Actuary Department (GAD) with the purpose being to assess the total future liabilities of the schemes as at the valuation date.
- 2.4 The results of the 2016 valuation will inform an assessment of how affordable the firefighter pension schemes are, and this may well impact on the rate of

employer contributions paid into the schemes in respect of every active scheme member.

- 2.5 The results were expected to be published in Spring 2018, but this has again been delayed. The results were to be used to set the employer contribution rate for the period from April 2019 to March 2023, but it is now possible that existing rates will be maintained until results are announced along with guidance on when potential new rates will come into force.

### **Annual Benefits Statements Incorporating FFPS 2015**

- 2.6 The production of an Annual Benefits Statement (ABS) for every pension scheme member is required by the statutory deadline of 31 August following the end of the financial year. For 2016/17 this was achieved for all but 5 scheme members who were in the process of transitioning between schemes. The Pensions Regulator have confirmed that this does not represent a breach of the regulations.
- 2.7 Work is ongoing to ensure that there are no problems in ensuring the deadline for 2017/18 is met. At present no issues are anticipated.
- 2.8 It is hoped that the introduction of IConnect, which will enable monthly submission of data to the Administration team will help streamline the process in the future. However, there remains some difficulty in obtaining the information in a useable format out of the payroll system in order to streamline the process and reduce the input required from payroll staff. The issue will require some consultancy development time and it is hoped this will be resolved in the Autumn.
- 2.9 It has been agreed regionally not to include spouses figures again this year in the ABS due to there being a technical problem in the software causing miscalculations. Work is ongoing to resolve the issue. There is no legal requirement to include spouses in the ABS.

### **Checking and Reconciliation of HMRC Pension Records**

- 2.10 The State Pension has been reformed, with a new single tier State Pension which came into force on 6 April 2016. The old system had become very complex with the “State Earnings Related Pension Scheme (SERPS)”, the “State Second Pension” and the “Additional Pension” as well as the basic State Pension. The new State Pension removes these complexities and consists of one flat rate pension.
- 2.11 As reported to the Board in previous meetings, a national guaranteed minimum pension (GMP) reconciliation exercise has now started, which involves all occupational pension schemes. Her Majesty’s Revenue and Customs (HMRC) is sharing its pension records with pension administrators

and asking them to check this data for individuals against their records and investigate and resolve any discrepancies.

- 2.12 As a direct result of this reconciliation exercise, the Pension Administrator has identified 9 cases of small errors. All of these have been previously reported to the Board. To date 543 records have been reviewed and there are outstanding queries on 25 of these.
- 2.13 The government's deadline for completion of the whole exercise is December 2018. HMRC staff are working hard to turn queries around as quickly as possible and our Pension Administrator has a dedicated member of the team to work on this issue. The risk that the deadline may not be met has been included in the Board's risk register, although the likelihood of non-achievement of the deadline has been reduced to reflect the latest position.
- 2.14 In addition to the GMP reconciliations the Pension Administration Team have been reconciling pension information held on the pension administration system and the payroll system. This has identified a number of anomalies which are now being worked through to make any corrections necessary and assess how the differences have occurred.

### **Transitional Protection for FFPS 2015 Claims**

- 2.15 The FBU submitted claims (in the form of employment tribunal claims) against Fire Authorities that the transitional protection arrangements in the FFPS 2015 were discriminatory on the grounds of age, race and gender. The Local Government Association engaged solicitors to work on behalf of Authorities in defending the claims.
- 2.16 The case was heard early in 2017 and the finding of the court was that the transitional protections related to the 2015 Firefighters' Pension Scheme are 'objectively justified' and therefore do not amount to unlawful discrimination. The FBU appealed against this ruling and the Employment Appeal Tribunal heard the case in December 2017. The case has been referred back to the Employment Tribunal for further consideration. It is expected that the case could take some time to resolve, but could have far reaching implications on the 2015 scheme should it be upheld.

### **Taxation of Ill Health Pensions**

- 2.17 In March 2017, the Pension Administrator informed the Scheme Manager that ill health pensions awarded to Retained Duty System employees on the grounds of injury should not be taxed at source. This followed a communication from the LGA's national fire pension technical adviser on the matter. Ordinarily ill health pensions are taxable, but there is a tax regulation which provides an exemption in these few cases.
- 2.18 For Nottinghamshire, 8 cases have been identified, the individuals' pensions were corrected from April 2017. The LGA issued guidance around this issue

in September 2017, which indicated that only 4 years may be claimed back from HMRC. This has been claimed back by the Authority on behalf of members and once payment has been received it will be paid out accordingly. Any years going further back would be a cost to Fire Authorities although there remains some confusion regarding when the additional liability first started and this is making the matter difficult to resolve since the LGA have been unable to negotiate a common position.

## **Communications with Scheme Members**

2.19 The detail within this report indicates that the area of fire pensions remains high profile, with a great deal of work currently in progress. In addition to the issues outlined above there are also some potentially significant taxation issues for individual members arising from their fire pension scheme membership. Whilst it is outside of the remit of Officers of the Authority to provide advice on personal taxation issues to pension scheme members, the Pension Ombudsman has made it clear that employers are expected to provide sufficient information to members on such issues to enable members to make their own decisions on matters which affect their personal finances. A presentation on the reduction of Annual Tax Allowances was given included on the Middle Managers Briefing in December 2017, and the topic is included in the regional pension roadshows. The next roadshow is being delivered by Leicestershire Fire Service. Employees of all 3 regional Fire Services will be invited to attend.

## **General Data Protection Regulations (GDPR)**

2.20 Work is ongoing to ensure that the GDPR regulations are complied with. A privacy notice has been drafted and work is now underway to ensure that the common elements within it are consistent with Leicestershire and Derbyshire Fire Authorities to ensure consistency should the Joint Board be approved. GDPR compliance remains on the risk register.

## **Pension Metrics**

2.21 At the meeting on 15 November 2017, the Board agreed to include the Pension Metrics data as part of this report. The Data for the quarter ending 30 June 2018 is included in Appendix 1.

## **Independent Disputes Resolution Procedure (IDRP) Cases**

2.22 There have been no new IDRP cases during this financial year to date.

## **Pension Discretions**

2.23 There were no pension discretions considered during the financial year to date.

## **Significant Breaches Reported to the Pensions Regulator**

2.24 There have been no breaches identified in financial year to date. The Breaches Register is attached at Appendix 2.

### **3. FINANCIAL IMPLICATIONS**

There are no financial implications arising directly from this report. Any financial implications for the Authority will be reported to the Finance and Resources Committee.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are human resources implications arising directly from this report, in that pension matters affect most employees. HR department staff are fully involved in pension issues to ensure that human resources implications are taken into account.

### **5. EQUALITY IMPACT ASSESSMENT**

An equality impact assessment has not been carried out as this is not a new policy.

### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

### **7. LEGAL IMPLICATIONS**

The Public Service Pensions Act 2013 introduced a framework for the governance and administration of public service pension schemes. This report aims to fulfil the requirement for Pension Board members to assist the Scheme Manager in ensuring that effective administration arrangements are in place.

### **8. RISK MANAGEMENT IMPLICATIONS**

There are a number of risks relating to the firefighter pension schemes, and these have been presented to the Board in the form of a risk register. The Scheme Manager is responsible for ensuring that the risks identified are appropriately managed. All of the issues outlined in this report are being, or have been dealt with by close co-operation between the pension administration team and Officers.

### **9. RECOMMENDATIONS**

That Board members note the content of this report.

**10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

BECKY SMEATHERS  
SCHEME MANAGER

Appendix 1

**Pension Metrics Data**

**1 Membership (Numbers) of Fire Pension Schemes as at 30 June 2018**

	<b>FFPS 1992</b>	<b>FFPS 2006</b>	<b>FFPS 2015</b>	<b>RDS Mod.</b>	<b>Total</b>
Active	117	23	500	23	663
Pensioner & Dependand	779	9	11	50	849
<i>(New Pensioner &amp; Dependand)</i>	5	0	0	0	(5)
Deferred	57	213	81	48	399
<i>(New Deferred)</i>	1	4	1	3	(9)
<b>Total</b>	<b>953</b>	<b>245</b>	<b>592</b>	<b>121</b>	<b>1,911</b>

**2 Membership (Numbers) of Fire Pension Schemes as at 31 December 2017**

	<b>FFPS 1992</b>	<b>FFPS 2006</b>	<b>FFPS 2015</b>	<b>RDS Mod.</b>	<b>Total</b>
Active	128	29	467	26	650
Pensioner & Dependand	769	8	12	49	838
<i>(New Pensioner &amp; Dependand)</i>	8	1	6	0	(15)
Deferred	56	206	69	45	376
<i>(New Deferred)</i>	0	3	2	0	(5)
<b>Total</b>	<b>953</b>	<b>243</b>	<b>548</b>	<b>120</b>	<b>1,864</b>

**Changes during the 3 quarters ended 30 June 2018**



	<b>FFPS 1992</b>	<b>FFPS 2006</b>	<b>FFPS 2015</b>	<b>RDS Mod.</b>
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Opt Outs	0	0	0	0
Deaths	6	0	0	0
Refunds	0	0	1	0

**2 Changes during the 3 quarters ended 31 December 2017**

	<b>FFPS 1992</b>	<b>FFPS 2006</b>	<b>FFPS 2015</b>	<b>RDS Mod.</b>
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Opt Outs	0	0	1	0
Deaths	5	0	1	0

**3 Age Profile of Workforce as at 30<sup>th</sup> June 2018 (Q1)**

Age:>	<b>&lt;25</b>	<b>25-40</b>	<b>40-50</b>	<b>50-60</b>	<b>&gt;60</b>	<b>Total</b>
	18	254	217	170	2	661

**4 Age Profile of Workforce as at 31 December 2017 (Q3)**

Age:>	<b>&lt;25</b>	<b>25-40</b>	<b>40-50</b>	<b>50-60</b>	<b>&gt;60</b>	<b>Total</b>
	23	255	225	145	2	650

**NFRS Register of Fire Fighter Pension Fund Breaches**

<b>Number</b>	<b>Date</b>	<b>Brief Description</b>	<b>Red / Amber / Green Assessment</b>	<b>Officer Responsible for Assessment</b>	<b>Outcome</b>	<b>Date Reported to TPR</b>
001	31/8/16	Failure to meet ABS deadline – all employees due to system failure	Red	Head of Finance / Scheme Manager	Breach	31 August 16
002	31/8/17	Failure to meet ABS deadline – 5 employees in transition	Green	Administrator	No Breach	N/A
003						
004						
005						

**Last updated: 5 March 2018**

**Updated by: Becky Smeathers, Scheme Manager**

Local Firefighter Pension Board

# FIREFIGHTER'S PENSION RISK REGISTER

Report of the Scheme Manager

**Agenda Item No:** 6

**Date:** 14 March 2018

**Purpose of Report:**

To update Board members on current status of the Risk Register.

**Recommendations:**

That Board members note the latest Risk Register attached at Appendix A.

## CONTACT OFFICER

**Name :** Becky Smeathers, Scheme Manager

**Tel :** 0115 967 0880

**Email :** [becky.smeathers@notts-fire.gov.uk](mailto:becky.smeathers@notts-fire.gov.uk)

## 1. BACKGROUND

- 1.1 The Pension Regulator recommends that the pension scheme manager must establish and operate adequate internal controls that enable them to manage the risks that relate to the scheme. The scheme should also have a process to identify, evaluate and manage risks on an ongoing basis.

- 1.2 The Pension Risk Register is a key document to identify areas of risk, identifying appropriate actions to mitigate this risk and to manage the process. The document is a live document, continually being updated and reviewed.
- 1.3 Previously, the Board has considered the Risk Register as part of the Current Pension Issues report on the agenda. At its meeting on 17 November 2017, the Pension Board agreed to have the Risk Register as a stand alone item in order to enable increased scrutiny of the document.

## 2. REPORT

### Developments since last meeting

- 2.1 The current risk register is attached at Appendix 1. Changes and updates to the risks are highlighted in grey on the risk register. Updates on risk areas are provided in the following paragraphs.

**Risk 2 - Member data and records incomplete or inaccurate**

**Risk 3 - Administration process failure/ maladministration**

- 2.2 Internal Audit have undertaken audits on the accuracy of pension and lump sum calculations, pension increases and application of correct contribution rates. This has provided assurance in these areas. The internal audit reports are included as a separate agenda item for this meeting.
- 2.3 A further data audit is due to be undertaken in the new financial year to cover:
  - GDPR compliance;
  - identifying potentially fraudulent behaviour, including members forgetting to provide information which will change their pension entitlement;
  - correct identification of ill health pensioners;
  - compliance with legislation;
  - correct transitional arrangements between schemes.
- 2.4 The final audit report will be presented to the Board. It is anticipated that once completed and any recommendations introduced it will be possible to revise the risk factors accordingly.
- 2.5 The Pension Regulator has instructed pension administrators to measure, record and improve certain data fields for both Active Members and Leavers:
  - **Common Data** – such as name, address, National Insurance Number, key dates around membership and retirement and membership status;
  - **Scheme Specific Data** – Employer name, scheme name, service history details, GMP entitlement, employee contribution history and CARE start / transition date, linked records etc;

- 2.6 The regional administration group have commenced work to agree the data to be recorded and improved and how to collect it. This will form the basis of a Data Improvement Plan. Any audit outcomes will also feed into the development of this plan.

**Risk 5 – General Data Protection Regulations (GDPR)**

- 2.7 The Local Government Association have worked with a team of solicitors to produce a template privacy notice, memorandum of understanding and other documents necessary to assist compliance with the new GDPR which came into operational in May 2018.
- 2.8 A privacy notice has been drafted for NFRS using the template from the LGA and work is now underway to ensure that the common elements within it are consistent with Leicestershire and Derbyshire Fire Authorities to ensure consistency should the Joint Board be approved.

**Risk 8 - Sole pension software provider**

- 2.9 The software tender has now been completed and has been awarded to Heywoods, who have been providing this service for some years. The contract period is 5 years with an additional optional five years which will cover from April 2019 to March 2029. This provides some certainty over the forthcoming years and it has been possible to reduce the risk level from 4 to 2, bringing the total risk score down from high to medium. However, it should be noted that should there be any significant changes to legislation, for example, such as the discrimination challenge on the 2015 scheme, this would lead to significant additional costs.

**Risk 21 - Creation of Joint Pension Board – impact on scheme governance / reputational risk**

- 2.10 This is a new risk which has been added to the risk register to reflect the potential change in governance arrangements for the scheme.
- 2.11 At its meeting on 15 December 2017 Fire Authority recommended that a joint request be made to the Secretary of State to gain approval for the creation of an East Midlands Joint Pension Board. Since this meeting, the LGA have been assisting with negotiations with the Home Office regarding what they require in order that their approval can be gained.
- 2.12 On 14 June 2018 a session was held with a representative from the Home Office and representatives from the 3 pension boards (Leicestershire, Derbyshire and Nottinghamshire), with the purpose of clarifying the requirements of the submission.
- 2.13 Following this meeting, a submission is in the process of being completed with a deadline of the end of July for a first draft to be circulated.

**3. FINANCIAL IMPLICATIONS**

There are no financial implications arising directly from this report. Any financial implications for the Authority will be reported to the Finance and Resources Committee.

#### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are human resources implications arising directly from this report, in that pension matters affect most employees. HR department staff are fully involved in pension issues to ensure that human resources implications are taken into account.

#### **5. EQUALITY IMPACT ASSESSMENT**

An equality impact assessment has not been carried out as this is not a new policy.

#### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

#### **7. LEGAL IMPLICATIONS**

The Public Service Pensions Act 2013 introduced a framework for the governance and administration of public service pension schemes. This report aims to fulfil the requirement for Pension Board members to assist the Scheme Manager in ensuring that effective administration arrangements are in place.

#### **8. RISK MANAGEMENT IMPLICATIONS**

There are a number of risks relating to the firefighter pension schemes, and these have been presented to the Board in the form of a risk register. The Scheme Manager is responsible for ensuring that the risks identified are appropriately managed. All of the issues outlined in this report are being, or have been dealt with by close co-operation between the pension administration team and Officers.

#### **9. RECOMMENDATIONS**

That Board members note the content of this report.

**10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

BECKY SMEATHERS  
SCHEME MANAGER

Local Firefighter Pension Board

## **INTERNAL AUDIT REPORTS**

### Report of the Scheme Manager

**Agenda Item No:** 7

**Date:** 23 July 2018

**Purpose of Report:**

To bring to the attention of the Board to the outcome of 2 internal audit reports related to the Firefighters' pension schemes.

#### **CONTACT OFFICER**

**Name :** Becky Smeathers, Scheme Manager

**Tel :** (0115) 967 0880

**Email :** Becky.smeathers@notts-fire.gov.uk





## **1. BACKGROUND**

- 1.1 Nottinghamshire County Council (NCC) currently provides the Internal Audit service to the Fire and Rescue Authority. As part of their annual audit programme NCC undertook an audit on the Grant Claims and Payroll entries relating to the firefighters' pension fund. This audit only related to activities within Nottinghamshire Fire and Rescue Service.
- 1.2 The administration of the Firefighters' pension scheme is undertaken by Leicestershire County Council along with the pensions of Derbyshire and Leicestershire Fire Authorities. During the year a joint audit of scheme administration was undertaken by Leicestershire County Council Internal Audit team on behalf of the three services.
- 1.3 Between the 2 audits, the scheme entries from both NFRS and the Scheme Administration team were covered.

## **2. REPORT**

### **Nottinghamshire County Council Internal Audit on NFRS pension activities**

- 2.1 The purpose of this audit was to provide assurance that adequate controls exist to ensure that the admittance of new members including transfers, grant claim procedures and payroll coding are carried out in accordance with the prescribed policies and procedures. The final audit report is attached at Appendix 1.
- 2.1 The Audit opinion was that of substantial assurance. This means that risk levels are low.
- 2.2 There was one minor recommendation which related to additional checking being required to ensure that all income was correctly received where employees were permitted to buy back pension payments. This recommendation has now been adopted.

### **Pension Administration Audit undertaken by Leicestershire County Council (LCC) on LCC Administration Activities**

- 2.3 The firefighters' pension schemes for Nottinghamshire, Derbyshire and Leicestershire Fire Authorities are administered by Leicestershire County Council. The internal audit function of Leicestershire County Council has undertaken an audit of fire pension administration on behalf of the three Fire Authorities. This audit is attached at Appendix 2.
- 2.4 The audit looked at the validity and accuracy of calculations with regard to payments for new pensions and lump sums, that starters and leavers were

properly accounted for and that contribution bandings and pension increases were properly applied.

- 2.5 The audit opinion was that of substantial assurance. There was one minor recommendation which was that pension increases should be independently verified when being input on the system and evidence kept that this had taken place. There were no errors in the sample checked as part of the audit.
- 2.6 There will be a further joint pension audit on data quality and GDPR during 2018/19 to provide assurance around some of the risks identified in the Pensions risk register. This will form the basis for a data improvement plan which is a document that is needed to meet the good practice guidelines from The Pensions Regulator.

### **3. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

### **4. HUMAN RESOURCES AND LERANING AND DEVELOPMENT IMPLICATIONS**

There are no human resources or learning and development implications arising from this report.

### **5. EQUALITIES IMPLICATIONS**

There are no implications for equalities arising from this report.

### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

### **7. LEGAL IMPLICATIONS**

There are no legal implications arising from this report.

### **8. RISK MANAGEMENT IMPLICATIONS**

Internal Audit forms part of the wider system of internal control which deals entirely with the Authority's exposure to financial, and to some extent non-financial risk. Presenting the annual report to the Authority enables Members to see the work of

internal audit and the contribution that they make to the overall system of internal control.

## **9. COLLABORATION**

The pension audit was undertaken across the 3 Fire Authorities and it is anticipated that future fire fighter pension audits will be undertaken in a similar manor.

## **10. RECOMMENDATIONS**

That Members note the contents of this report.

## **10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

**Scheme Administrator**

Becky Smeathers



**Internal Audit Report**

Report ref: 2016-10

**OFFICIAL SENSITIVE**

**To: Chief Fire Officer**

**Subject: NFRS - Pensions**

**Date: May 2017**

**1 Introduction**

- 1.1 The Nottinghamshire Fire and Rescue Authority maintains a pension fund consisting of employee and employer contributions. Pension payments are made from this fund. The fund is topped up by a Central Government grant if the contributions are insufficient to meet the pension payment and any surplus would be recouped by Central Government. The scheme is administered by Leicestershire County Council.
- 1.2 The purpose of the report is to provide assurance that adequate controls exist to ensure that the admittance of new members including transfers, grant claim procedures and payroll coding are carried out in accordance with the prescribed policies and procedures.

**2 Audit opinion**

- 2.1 In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.
- 2.2 In our opinion the level of assurance we can provide is: -



**SUBSTANTIAL ASSURANCE Risk levels are low**

**3 Risk areas examined**

- 3.1 During this audit we looked for controls to address the following key risks: -

<i>Risk title</i>	<i>Description</i>
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Grant claim procedures	Central Government grants are not calculated and claimed correctly.
Contributions to modified scheme	Errors are made in calculating and collecting contributions into the modified scheme in respect of retained firefighters.
Payroll coding errors	Inadequate controls to prevent payments made or received being coded to/from the wrong schemes.

3.2 The scale of the area reviewed is: -

<b>Metric</b>	<b>2015/16 £'000s</b>	<b>2016/17 £'000s</b>
Employee contributions	2,776	2,348
Employer contributions (including ill health charge)	3,282	3,159
Other income (e.g. transfers in)	40	34
Payments from the fund (including transfers out and refunds of contributions)	16,264	15,774
Total pension fund deficit	10,166	10,233
Grant income received during the year (includes amounts received in arrears for previous financial years)	10,249	8,478
No. of contributors to the fund	682	659

#### 4 Audit findings

4.1 Following our work, we consider the controls to be effective in the following risk areas: -

- Grant Claim Procedures - NFRS complete a top up grant claim to cover any deficit on the pension fund. They comply with the requirements of DCLG by submitting deficit forecasts within the appropriate timescales to ensure timely grant funding and adequate cash flow provisions.
- Contributions to Modified Scheme - Procedures are in place to ensure bought back benefits are in line with policies and expected contributions are received, checked and reconciled.
- Payroll Coding - Regular checks are undertaken to ensure reconciliation is carried out on a regular basis and any potential coding errors are identified.

4.2 There was one control weakness resulting in the remaining risk. The attached Action Plan sets out this weakness and our recommendation to address this.

4.3 A summary of the recommendations made is set out below:

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
High priority	0	Immediate
Medium priority	0	Within two months
Low priority	1	Within six months
Value for money	0	As soon as practicable

**Audit conducted by: Helen Lomas  
Auditor  
Audit supervised by: Angela Wendels  
Senior Auditor**

**Rob Disney, Head of Internal Audit**

Audit Finding	Recommendation	Management Response
<b>Low priority areas</b> (Desirable for effective internal control, may implement recommendations to improve existing control arrangements)		
<p><b>1. Reconciliation of Contributions</b></p> <p>Detailed reconciliations are carried out in the finance office as part of the checking procedure when the returns are completed. A secondary record is held which monitors the repayments made as direct debits. This document is used to inform Leicestershire of any missing receipts which would reduce the pensioners bought back entitlement. A review of this spreadsheet identified one payment missing for an employee however on detailed checking it was confirmed this payment had been received.</p> <p><b>Risk:</b> <i>The Pensioners future pension entitlement may be reduced as a result of not recording all the buy back payments received by the Authority.</i></p>	<p><b>Where contributions are normally received by direct debit, checks should be made to investigate any missing contributions on the monitoring spreadsheet.</b></p>	<p>There is a process in place for making checks, but unfortunately this one payment was missed. The spreadsheet will be monitored in future.</p> <p><b><u>Date for implementation</u></b> 16 May 2017</p> <p><b><u>Officer responsible for implementation</u></b> Head of Finance</p>



Leicestershire County Council  
Internal Audit Service  
Final Internal Audit Report

**Entity:** Pensions

**Organisation:** Nottinghamshire Fire and Rescue Service

**Audit Type:** Assurance

Role	Auditor Name
Auditors:	Lynn Woolhouse & Andy Collins
Audit Manager:	Niru Patel
Head of Internal Audit Service:	Neil Jones



## **Audit Details**

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**Audit Objectives:** To review the validity and accuracy of calculations with regard to payments for new pensions and lump sums.

Starters (incorporating payment of lump sum) and leavers (incorporating death notifications) are accurately accounted for in respect of pensionable adjustments required.

Contribution banding, pensions increases and dependents pension requirements are also correctly applied.

**Audit Opinion:** **Substantial Assurance**

One minor recommendation is required with one medium risk issue to be addressed.

**Summary of findings, risks and recommendations for management:** If there is not anything reported in the summary below then, based on the work undertaken this indicates appropriate controls were in place and operating satisfactorily and the risk of failing to achieve objectives is mitigated.

Unless it denotes otherwise, the recommendation and associated implementation has been agreed by the risk owner. Where this is not the case this is indicated in bold italic font, both below and in more detail in the recommendation details section of this report.

***Pensions Increase is correctly applied;***  
The Pensions Increase awarded and paid in April 2017 was calculated and applied by the previous payroll provider (Nottingham County Council). No record had been retained to evidence any independent verification of the calculations. This said, no errors were identified in the limited sample checking undertaken as part of the audit.

*Financial Risk*

Evidence should be retained of the verification of the rate of pensions increase awarded and payment of the revised pension from the correct date.

## **Recommendation Details**

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<b>Priority: Recommendation</b>				
<b>Area of Scope (Per ToE)</b>	<b>Detail</b>	<b>People</b>	<b>Dates</b>	<b>Management Response</b>
Pensions Increase is correctly applied	Evidence should be retained of the calculation and application of Pensions Increase and any checking undertaken to confirm the accuracy of payments made.	Payroll Manager	April 2018	To be implemented with immediate effect.

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## **Control Evaluation Details**

**Control:** Robust procedures are in place to ensure accurate pension, lump sum or death grants are paid to eligible individuals and are in accordance with Scheme regulations.

### **Findings:**

Prior to May 2017 pension payments were paid in advance for those members who had contributed to the 1992 pension scheme, or in arrears for members that contributed to the 2006 pension scheme. This arrangement was in accordance with the Authority's discretionary powers. From 1 May 2017 pension payments for any new pensioners are paid in arrears regardless of the scheme membership. The only exception being for dependants short term and long term pension payments where agreement was that the payment schedule should follow that of the deceased, i.e. in advance for the 1992 scheme and in arrears for the 2006 scheme.

Between 1 April 2017 and 31 December 2017, twenty eight new pension records have been set up (18 pensioners & 10 dependants). Four records were selected at random for testing.  
(3 x age retirements, 1 x dependant pension).

Advance notification of voluntary retirement was submitted to the Fire Pensions Team (LCC) from NFRS HR & Payroll in the completion of form ePen3.

Salary figures used in the calculation of the last year's final pay, from which lump sum and residual pension payments are determined, agreed with salary information held on the payroll system.

All documentation / information required to enable payment of the dependant's pension had been obtained prior to payment of the short term widow's pension.

For all those examined pension details, values and dates of commencement of pension had been correctly entered to the payroll system.

No issues were found with the calculation for pension payments reviewed and it was verified that payments are independently checked.

Between 1 April and 31 December 2017 fifteen pension records were ended due to the death of the recipient. All were in receipt of a pension in relation to the 1992 pension scheme. Three records were selected at random for testing. Pension payments ended at the month end in which the death occurred for two selected whilst an invoice to recover the overpayment for the third was issued. Payment was due by 22<sup>nd</sup> December 2017 but as at the date of the audit (12<sup>th</sup> March 2018) the amount owed (£1,346.36) was still outstanding.



## **Background & Scope**

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**Background:** To assist the external auditors in their annual assessment of the likelihood of material misstatement in the CFA's financial accounts, a review of the procedures in place for calculating pensions and lump sums, and the administering of starters, leavers and variations to pay to Nottinghamshire Fire and Rescue Service (NFRS) employees and pensioners is undertaken.

Previously there had been two main pension schemes for firefighters in England. These are the Firefighters' Pension Scheme 1992 and the New Firefighters' Pension Scheme 2006. However from 1<sup>st</sup> April 2015 a third main scheme was introduced – the Firefighters' Pension Scheme 2015.

There are different membership, contribution rates, pension ages and principles of calculations across each of the three pension schemes.

**Audit Scope:** In line with the Public Sector Internal Audit Standards 2013, this audit engagement has been completed using a risk based approach, which seeks to provide independent assurance that:-

Key risks are identified and actively managed  
A sound framework of controls is in place that adequately and effectively reduces risks to an acceptable level

The management of risk (including internal control arrangements) has been evaluated in the following areas:-

To walk through / re-perform all details relating to three recent pension calculations, and so confirm adherence to relevant regulations  
Starters (including lump sum payments), leavers

Dependant Pensions  
Pensions Increase  
Contribution Bandings including 2015 tapering

