

Scheme Manager Training  
Firefighter Pension Schemes  
8 October 2018

## **I don't**

- Police
  - Inspect
  - Regulate
  - Report
  - Whistle blow
- 

## **I do**

- Advise
- Guide
- Help
- Steer

# Agenda

- The Scheme Manager role
- Current Landscape
- A history of the Firefighter Pension Schemes
- Scheme Manager Duties

# Scheme Manager



# Scheme Manager

- The Scheme Manager is defined by rule 4 of the 2015 regulations rule 4 of the 2014 regulations as being the Fire and Rescue Authority as determined under section 1 of the Fire and Rescue Services Act 2004
  - The scheme manager is responsible for managing and administering this scheme and any statutory pension scheme that is connected with it.
  - <http://www.legislation.gov.uk/ukxi/2014/2848/regulation/4/made>
-

## Power of delegation – Rule 5

- *(2) The scheme manager may delegate any functions under these Regulations, including this power to delegate, to such persons or employees of such person as may be authorised in that behalf by the scheme manager.*
  - <http://www.legislation.gov.uk/ukxi/2014/2848/regulation/5/made>
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# Delegation not abdication

Who  
owns  
pensions

- Is there a natural home for pensions within your organisation?
- Is this part of the senior management team?
- Is it one persons responsibility?

Who  
monitors?

- Regular reports to the fire authority, and from whom?
  - An understanding of risk?
  - Does the Local Pension Board report directly to the Fire Authority
  - What escalation procedures are there?
-

# Risk

Regulatory and Compliance	Financial	Operational
Non compliance with TPR	Excessive Charges	Member Data
Failure to interpret regulations	Pension Fund accounting mistakes	Administrative failures
Failure to comply with disclosure requirements	Authority costs due to failure to apply scheme / tax rule correctly	Premises
Failure to communicate with scheme members	Failure to deduct correct employee contributions	Software
	Fraud	Workforce planning





## Question 1

- Is there a clear scheme manager delegation
- Is that delegation monitored
- Are the risks understood by the Fire Authority

**WOULD YOU DO ANYTHING DIFFERENTLY  
FOLLOWING TRAINING?**

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# Current Landscape

- Valuation 2016
- Public Sector Pensions Tax
- Annual Benefit Statements
- Scheme Return - Data Scores
- Scheme Reconciliation
- Transitional Protections Challenge
- Amendment Order 2018
- Benchmarking Project



## 2016 Valuation Results

- The current average employer contribution rate of 17.6% will be significantly increased
  - The **indicative** result also shows that the cost cap has breached well below the 2% range.
-

# Public Sector Pensions Tax

- How well do you feel you understand pensions tax?
  - Do you have a VSP policy?
  - How do you support staff understanding their individual responsibilities?
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# Annual Benefit Statements

1992 Scheme

2006 Scheme

Retained Modified Scheme

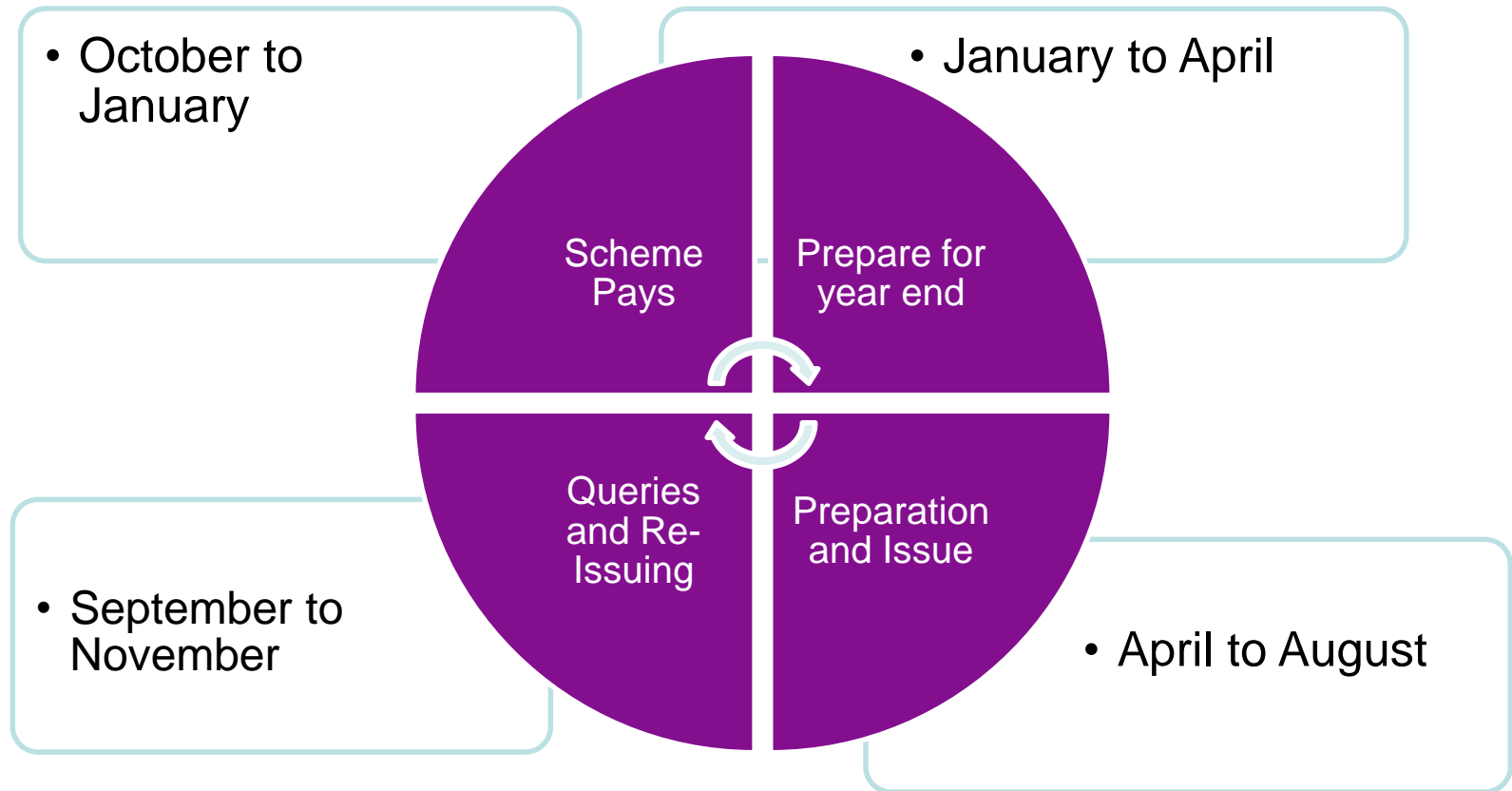
2015 Scheme



# 10 different types of member

	Protected	Tapered	Unprotected	Transitional
1992 Scheme	√	√	X	√
2006 Scheme (Standard member)	√	√	X	√
2006 Scheme (Special member)	√	√	X	√
2015 Scheme	x	x	√	x

# Benefit Statements Cycle



# Data scoring

- Data underlines everything in pensions – how good is yours?
  - In this years scheme return TPR will be asking schemes to provide their scheme specific data score
  - [Data Scoring Guidance](#)
  - TPR Data Measuring [Guidance](#)
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# Reconciliation Stages

## Stage 1

- Request HMRC Data and perform initial analysis

## Stage 2

- Reconcile

## Stage 3

- Update Scheme Data
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## The transitional protections challenge

- Is it a proportionate means to achieving a legitimate aim?

	ET	ETA	Appeals	Next stage
Legitimate aim	Yes	Yes	?	
Proportionate means	Yes	Needs to be re-tested under UK law	?	

# Amendment Order 2018 – Technical Note

1. To ensure that the indexation of two pensions is understood and properly applied.
  2. To ensure a policy is in place for exercising VSP and that Firefighters are aware of how they would request any tax charge to be paid.
  3. To ensure that members in the 2006 scheme are communicated to with regards to nomination requirements.
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# The Firefighters' Pension Schemes

## What we know

Firefighters' Pension Schemes Regulations and Guidance



Source: [www.fprsregs.org/](http://www.fprsregs.org/)

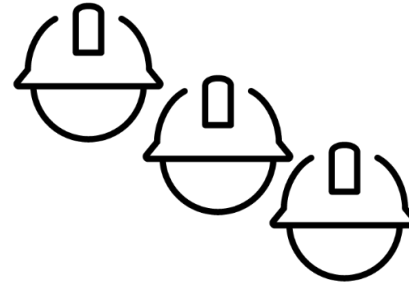
££ Member contributions: 8.5% to 17% of pay  
Employer contributions: 14.3% to 21.7% of pay

## What we don't know

How much are scheme management costs?  
How effective is scheme administration?

	Total
Number of pensioners	41,731
Total deferred members	12,161
Active regular members	22,944
Active retained members	8,440

Source: Home Office, Fire statistics Table 1304



45 Fire  
authorities

# The purpose of the review

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## How effective is scheme administration?

- Do members receive a good service?
- Are the right benefits paid at the right time?



## What are the costs of running the scheme?

- Explicit costs
- Implicit costs
- “Extra” costs



## Are there any themes / patterns?



## Could anything be done differently/better?

**No preconceptions, no naming and shaming**



## Question 2

- Do you have any tax challenges?
- Confident in annual benefit statement processes?
- Managed scheme reconciliation process and now completed

**WOULD YOU DO ANYTHING DIFFERENTLY  
FOLLOWING TRAINING?**

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# Firefighter Pension Scheme History

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# 1992 & 2006 Final Salary Schemes

- Final Pensionable pay (best of last 3 years) x membership / accrual
  - Discretionary Additional Pensionable Benefits (APB)
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# 1992 Firefighter Pension Scheme

- Open to regular firefighters
- 1/60<sup>th</sup> accrual rate
- Double accrual after 20 years
- Maximum service is 30 years
- Earliest retirement age 50
- Final Salary scheme
- Actuarial commutation factors
- Injury benefits
- Built in ill-health benefits/life cover
- Pension for Widow's/Children
- Deferred pension age 60



# 2006 Firefighter Pension Scheme

- Open to regular and retained firefighters from 6<sup>th</sup> April 2006
- 1/60<sup>th</sup> accrual rate
- Maximum service 40 years
- Retirement age 60
- Earliest retirement age 55 (subject to re
- Final Salary Scheme
- Commutation based on 1 : 12 ratio
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children
- Deferred pension age 65



# 2006 Reform

## **Firefighters Pension Scheme 1992**

- Closed to new entrants from 6 April 2006
- Options Exercise

## **Firefighters Pension Scheme 2006**

- Open to regular and retained Firefighters appointed after 6 April 2006
- New retirement age

## **Firefighters Pension Fund**

- New notional funding mechanism

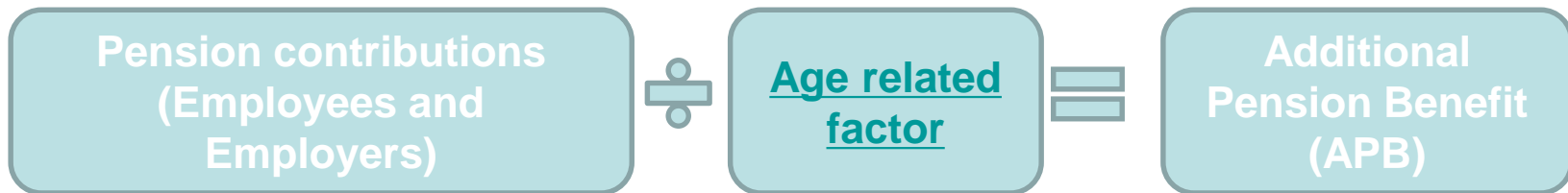
## **Firefighters Compensation Scheme**

- Injury benefits removed from the pension scheme rules and a separate set of regulations were created
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## Discretionary Benefits (APB)

1. Allowance or supplement to reward additional skills and responsibilities
2. Continuous Professional Development (CPD)
3. Temporary promotion, which began after 1 July 2013
4. Performance Related Payment



# Firefighter Pension Schemes - Now



# Final Salary vs Career Average

## Final Salary (1992 and 2006)

- Final Pensionable pay (best of last 3 years) x membership / accrual = annual pension

## Career Average (2015)

- Pensionable pay for each year / 59.7 = Accrued pension for that year.
  - Each year is increased by average weekly earnings
  - Can give up to 25% of pension to provide a lump sum.
  - Revalued by CPI in retirement
-

# Types of member

1992 Scheme	2006 Scheme (Standard Members)	2006 Scheme (Special Members)	2015 Scheme	Compensation Scheme
Protected standard members	Protected standard members	Protected special members	2015 only	Benefits based on service
	Protected retained members		1992 transitional	Protections for retained firefighters with a qualifying injury before 1 <sup>st</sup> April 2014
			2006 standard transitional	
			2006 standard retained transitional	
			2006 special transitional members	



# Special Members of the NFPS 2006 Firefighter Pension Scheme

- Ability for those retained who were excluded from a scheme from 2000 – 06 to join a scheme similar to the FRS 1992.
- Benefits reflect 1992 scheme (in part)
- Incorporated into 2006 scheme
- Accrual rate 1/45<sup>th</sup>
- Normal pension age 55
- Deferred pension age 60
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children
- The options exercise ended September 2015.





# 2015 Firefighter Pension Schemes

- All members transferred in April 2015
- Transitional protections apply for existing members of 1992/2006 scheme
- Accrual rate (currently) 1/59.7ths
- Retirement Age 60
- Earliest retirement age 55 (subject to rec)
- Career Average scheme
- Individual Pension accounts
- Deferred pension age equal to State Pei (min 65)



# Eligibility

- To be eligible for the pension scheme, a person must be employed as a ‘firefighter’. The definitions in the scheme rules require the person to be appointed under such terms “required to engage in fire-fighting or, without a break in continuity of such employment, may be required to perform other duties appropriate to their role as a firefighter (whether instead of, or in addition to, engaging in firefighting) and whose employment is not temporary”
- Only those who meet the eligibility under the scheme rules qualify for benefits from the Firefighters’ Pension Schemes and the Firefighters’ Compensation Scheme.

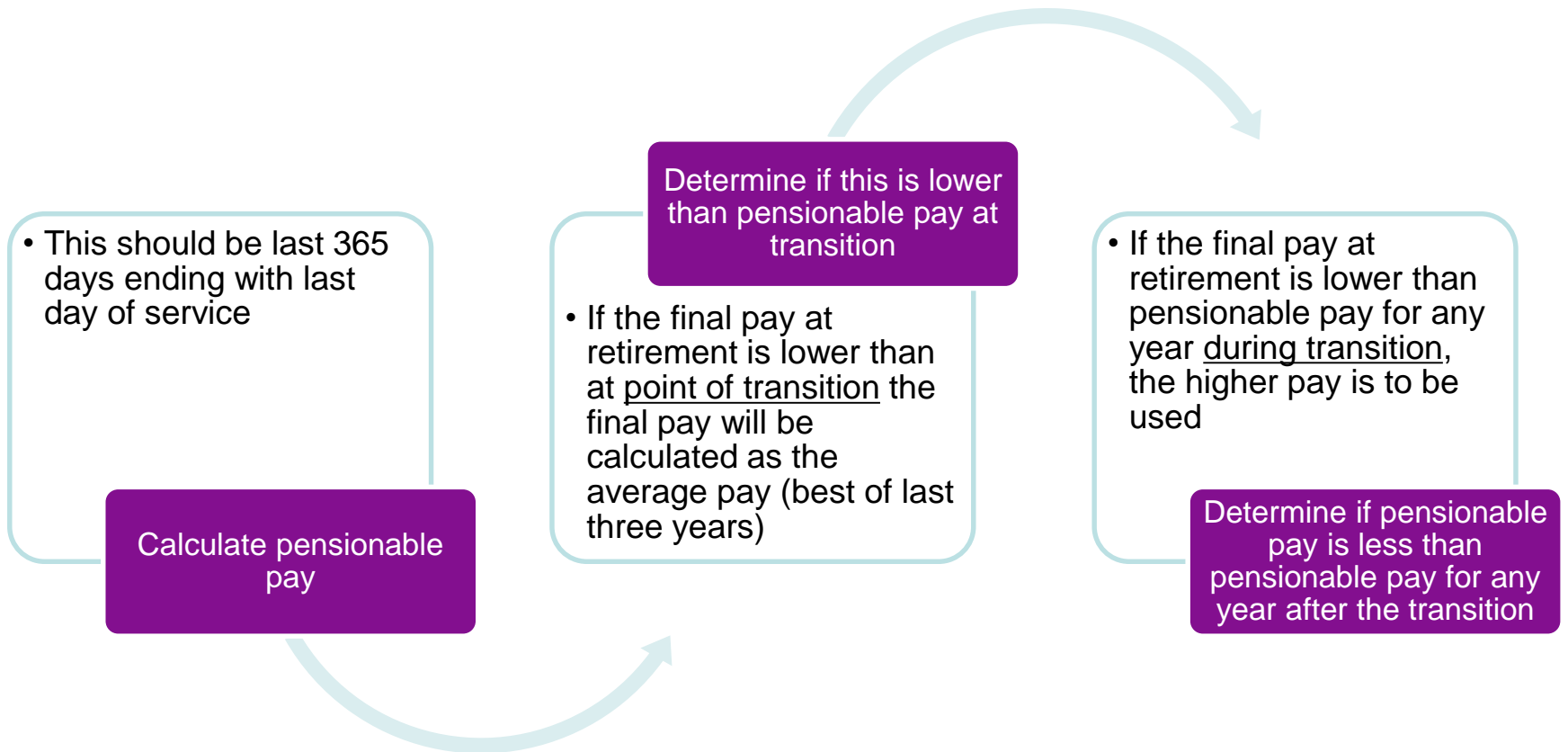
## [Eligibility Factsheet](#)

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# Double Accrual Guarantee

- Recognises the expectation to double accrual for members in the 'old' 1992 Fire scheme.
  - Pro Rata's the expected benefit
  - Transitional Member Guidance
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# Pay Protections



# Re-employment after retirement

Pension will be subject to abatement where an employee retires and begins drawing their pension and is either:

- re-employed by any Fire Authority in any capacity or
- continues in the employment of a Fire Authority
- Abatement to pension applies if the new salary, plus the pension they are in receipt of, is more than their salary they received while previously employed, then that excess amount is taken away from their pension whilst the member is re-employed.

## [Abatement Factsheet](#)

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## Nobody told us!

- Drop in pay triggering two pension entitlement
  - Temporary Promotion pensionable under a discretionary APB only
  - Transition to 2015 scheme (Ill-Health)
  - Re-employed with another Fire Authority
-

# Scheme Comparison

Feature	1992 Scheme	2006 Scheme Standard Members	2006 Scheme Special Members	2015 Scheme
Basis of pension	Final salary	Final salary	Final salary	(CARE)
Accrual rate	40/60ths 1/60 <sup>th</sup> (2/60 <sup>th</sup> after 20 years)	1/60 <sup>th</sup>	1/45 <sup>th</sup>	1/59.7 <sup>th</sup>
Benefit / Membership Cap	40/60 <sup>th</sup>	45 years	30 years	None
Revaluation rate	n/a	n/a	n/a	Average Weekly Earnings

# An important note

- These slides are intended to provide an overview of the scheme regulations and should not be regarded as a complete guide
  - Please note that it is the responsibility of each FRA to apply the rules of the pension scheme in accordance with their interpretation of the scheme and to obtain legal advice where they consider this is necessary.
  - The information contained in these slides have been provided to give some guidance on the rules of the pension scheme, however they should be used only as an informal view of the interpretation of the firefighters' pension scheme as only a Court can provide a definitive interpretation of legislation.
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## Question 3

- How comfortable do you feel that the right processes are in place?
  - Eligibility to scheme
  - Pensionable Pay decisions understood and made correctly
  - Scheme discretions such as temporary promotion

**WOULD YOU DO ANYTHING DIFFERENTLY  
FOLLOWING TRAINING?**

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## Other guidance

- [Ill-Health and Injury Quick Guide](#)
  - [Survivor Benefits](#)
  - [Transfers](#)
  - [Special Members of the 2006 Scheme](#)
  - [Transitional Member Guidance](#)
  - [Pensionable Pay and Case Law](#)
  - [Factsheets](#)
-

# Scheme Regulations

- FPS 1992 Regulations

<http://www.fpsregs.org/index.php/regulations/fps-1992->

- FPS 2006 Regulations

<http://www.fpsregs.org/index.php/regulations/fps-2006-regulations>

- FPS 2015 Regulations

<http://www.fpsregs.org/index.php/regulations/fps-2015-regulations>

- Firefighters' Compensation Scheme

<http://www.fpsregs.org/index.php/regulations/firefighters-compensation-scheme>



# Scheme Manager



# Scheme Manager Responsibilities

- Calculation and Payment of Benefits
  - Decisions and Discretions
  - Disclosure of Information
  - Record Keeping
  - Internal Controls
  - Internal Dispute Resolution
  - Report Breaches of Law
  - Statements, Reports and Accounts
-

# Internal Dispute Resolution

- Guidance in [FPSC 1/2009](#) and [Bulletin 9](#)
1. First stage considered by Chief Fire Officer or a delegated senior manager (six months)
  2. Second stage considered by elected members (six months)
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# Reporting to Home Office

- Top Up Grant
- Reports and Accounts
- Clear processes?

[AGM Workshop – Forecasting public service pensions](#)

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# Administration

- How are SLAs set?
  - Are roles and responsibilities clear
  - What services does the administrator offer?
  - Regular meetings
-



# Breaches of the Law

- Who should report
  - Managers of the scheme
  - Pension board members
  - Administrators
  - Employers
  - Professional Advisers
  - Those involved in advising the scheme manager

[TPR Guidance](#)

[SAB Breach Assessment Guidance](#)

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## Pension board assistance

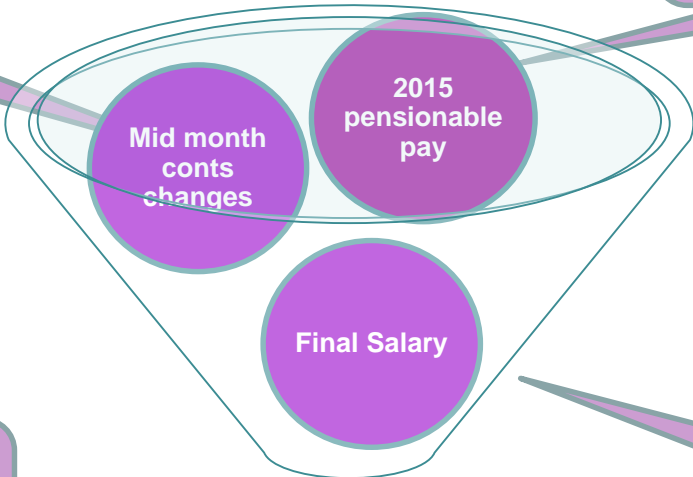
- Compliance of duties under the regulations and relevant legislation
  - Effectiveness of processes for the appointment of advisors and suppliers
  - Identify improvement of customer services
  - Identifying patterns of complaints
  - Reviewing the performance of administration
  - Reviewing the process for sharing data
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# Record Keeping?

## Inputs

Change of contribution rate for mid month tapering

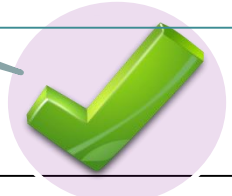
CARE pensionable pay for scheme year



Correct pension

Link to final salary for transitional benefits

## Outputs



# 2015 Scheme Pension Pot - Example

Date from	Date to	Account Balance	Reval rate	Opening Balance	Actual Pay	Pension Build Up	Closing Balance
01/04/2015	31/03/2016	£0.00		£0.00	£29,850	£500	£500
01/04/2016	31/03/2017	£500	2%	£510	£30,500	£510.89	£1020.89
01/04/2017	31/03/2018	£1020.89	2.6%	£1047.43	£32,000	£536.01	£1,583.44
01/04/2018	31/03/2019	£1,583.44	2%	£1615.11	£32,700	£547.74	£2,162.85
01/04/2019	31/03/2020	£2,162.85	4%	£2249.37	£33,600	£562.81	£2,815.18
01/04/2020	31/03/2021	£2,815.18	1%	£2840.30	£35,000	£586.26	£3426.57
01/04/2021	31/03/2022	£3426.57	3%	£3529.36	£35,900	£601.34	£4,130.70
01/04/2022	01/04/2023	£4,130.70	2%	£4213.32	£36,500	£611.39	£4,824.71

# Just got more complicated!

Date from	Date to	Account Balance	Reval rate	Opening Balance	Actual Pay	Pension Build Up	Closing Balance
01/04/2015	31/03/2016	£0.00		£0.00	£29,850	£500	£500
01/04/2016	31/03/2017	£500	2%	£510	£30,500	£510.89	£1020.89
01/04/2017	31/03/2018	£1020.89	2.6%	£1047.43	£32,000	£536.01	£1,583.44
01/04/2018	31/03/2019	£1,583.44	2%	£1615.11	£32,700	£547.74	£2,162.85
01/04/2019	31/03/2020	£2,162.85	4%	£2,249.37	£33,600	£656.25	£2,905.62
01/04/2020	31/03/2021	£2,905.62	1%	£2,934.67	£35,000	£683.59	£3,618.27
01/04/2021	31/03/2022	£3,618.27	3%	£3,726.81	£35,900	£701.17	£4,427.99
01/04/2022	01/04/2023	£4,427.99	2%	£4,516.55	£36,500	£712.89	£5,229.44



## Question 4

- How do you implement new processes
  - Are you confident in your administrator relationship?
  - Record keeping
    - Have you completed scheme reconciliation
    - What was your data score?
  - What are your priorities for coming year
-



## Question 4

- Are IDRPs managed effectively
- How confident are you that risks are managed?

**WOULD YOU DO ANYTHING DIFFERENTLY  
FOLLOWING TRAINING?**

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# Any questions





# Resources

- [www.fpsboard.org](http://www.fpsboard.org)
  - [www.fpsregs.org](http://www.fpsregs.org)
  - [Monthly bulletins](#)
  - [Local Pension Board Resources](#)
  - [SAB Minutes](#)
  - [Regulations](#)
  - [GAD Guidance](#)
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## Events and Training

- For details of all events please click [here](#)
  - Check out the calendar section of the [bulletins](#) for all up coming events
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# Disclaimer

- **The information contained in these slides are the authors interpretation of the current regulations.**
  - **Readers should take their own legal advice on the interpretation of any particular piece of legislation.**
  - **No responsibility whatsoever will be assumed by LGA or their partners for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in these slides.**
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# Thank you for listening

[Clair.Alcock@local.gov.uk](mailto:Clair.Alcock@local.gov.uk)

Mobile: 07958 749056

Office: 020 7664 3189

[Bluelight.pensions@local.gov.uk](mailto:Bluelight.pensions@local.gov.uk)

[www.fpsboard.org](http://www.fpsboard.org) & [www.fpsregs.org](http://www.fpsregs.org)