

## FPS Bulletin 17 – February 2019

Welcome to issue 17 of the Firefighters' Pensions Schemes bulletin.

If you are looking for information on a certain topic, don't forget to visit the issue and content indexes which are available on the main bulletin page of the website and are updated following each new issue.

If you have any comments on the contents of this bulletin or suggested items for future issues, please contact [Claire Hey](#).

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## Calendar of events

Please see below a calendar of upcoming events relevant to the Firefighters' Pension Schemes. Only those events which are hyperlinked are currently available to book. If you have any events you would like to be included in a future bulletin, please contact [Claire Hey](#).

Midlands regional FPOG	1 March 2019
<a href="#">LGA annual fire conference and exhibition</a>	12-13 March 2019
SAB	14 March 2019
South East regional FPOG	18 March 2019
Data seminar	3 April 2019
LPB effectiveness committee	18 April 2019
Joint Fire and Police governance event	15 May 2019
Administration & benchmarking committee	6 June 2019
SAB	13 June 2019
Ill health and medical appeals seminar	19 June 2019
Firefighter Pensions Technical Community	26 June 2019
Pensionable pay workshop	18 July 2019
Firefighters' Pensions AGM	24-25 September 2019 (provisional)
SAB	10 October 2019
Pensions tax seminar	12 November 2019
SAB	12 December 2019

## FPS

### Revised Fire (England) factors

Further to the letter issued by the Home Office on 31 October regarding the [review of scheme factors](#) due to the change to the SCAPE discount rate, GAD has provided the following replacement factor tables.

#### [Appendix 1: Trivial commutation](#)

These factors replace those currently in use with immediate effect from 18 February 2019.

The spreadsheet contains the revised factors which are based on a SCAPE discount rate of 2.4% net of CPI increases. The spreadsheet provides replacement trivial commutation factors for those currently included within GAD guidance notes.

**We would be grateful if administrators could undertake some sample calculations using the new factors, which we can forward to GAD to ensure that they have been implemented in line with current guidance. Please send any examples to [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk).**

GAD has informed us that they will update the guidance and example calculations to reflect these revised factors at a later date. The updated tables and subsequent guidance will be made available at <http://fpsregs.org/index.php/gad-guidance> in due course.

**ACTION: Pension Board Chairs and Scheme Managers, please ensure you liaise with your pension manager to ensure that the factors are applied with immediate effect.**

### FPS benchmarking exercise – update

As readers will be aware, Aon have been commissioned to undertake a benchmarking review of FPS administration in relation to cost and service provided. More information can be found on our dedicated [benchmarking review](#) webpage.

We are delighted to report that we received a 100% response rate from all administrators and FRAs to the surveys. Aon have now commenced analysis of the responses and are due to present a draft report to the Scheme Advisory Board at their meeting in June. If any data is missing or seems incongruous within a submission, Aon may make a follow up call to the named contact to ensure that the information has been reported as intended.

The closing date for the web-based member survey is 28 February 2019 and we have received an overwhelming response rate of 3,900 at the time of writing. This data will be exported to Aon to include within their analysis. We would like to thank all stakeholders for advertising and promoting the member survey as widely as possible. As member experience is at the heart of good pension administration, it was vital that we obtain data from those at the receiving end, to add to the information we have collated from employers and administrators.

## Technical queries

At the meeting of the Firefighter Pensions Technical Community on 12 February 2019, a number of queries were discussed and the outcomes are detailed below:

### **Scheme pays**

Where a tax charge arises which can be settled using a combination of MSP and VSP<sup>1</sup>, the group were asked to consider what obstacles there would be to paying the MSP charge within the timescales for VSP.

A combination of MSP and VSP may arise in the following circumstances:

- Where the pensions savings in one scheme is above £40k (therefore qualifying for MSP) but the pension savings in the other scheme is less than £40k and doesn't qualify for MSP, therefore VSP can be used. Please note that whilst this may usually present itself so that the 1992 scheme has a pension input amount of over £40k, using MSP is not limited to the final salary schemes only
- Where the member is subject to a tapered annual allowance between £10k & £40k, MSP could be used to pay the tax arising from a pension input amount over £40k and VSP used to settle the tax bill between £10,000 and £40,000

There is a difference in timings, processes and abilities between using MSP and VSP. A request to use a combination of VSP and MSP potentially means two event reports for a breach over two separate tax years, two payments over two separate financial years for the FRA, and other complex administrative processes.

Each administrator is currently following different procedures, based on instruction from their finance teams. Guidance will be issued on best practice.

### **APBs for temporary promotion**

The group were asked to consider whether a temporary promotion which began before 1 July 2013 should continue to be treated as pensionable pay where the member has been promoted again after that date with no break in service, and is now substantive in the role.

The technical group agreed that any new period of temporary promotion commencing after the introduction of The Firefighters' Pension Scheme (England) Amendment Orders 2013 for FPS 1992<sup>2</sup> and FPS 2006<sup>3</sup>, should be treated as a discretionary APB.

However, FRAs should carefully consider the wording of an individual's contract when determining whether to award an APB, as to whether the job is a new role or a continuation of an existing contract. Where an APB is deemed to apply, this would be based on the difference in pay between the original substantive post and the new temporary promotion.

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<sup>1</sup> Paragraphs to 56 to 61 - <http://www.fpsboard.org/images/PDF/Bulletin4/Appendix4v2.pdf>

<sup>2</sup> <http://www.legislation.gov.uk/ukxi/2013/1392/contents/made>

<sup>3</sup> <http://www.legislation.gov.uk/ukxi/2013/1393/contents/made>

## **Contributions on unpaid absence**

The group were asked to consider whether a member could be allowed to repay pension contributions on a period of unpaid absence if they do not subsequently return to work.

The relevant scheme rules do not make a specific reference to returning to work or still being an active member.

England	<a href="#">34(3b)</a>	<a href="#">111</a> (paragraphs 4 & 5)	<a href="#">114</a> (paragraph 3)
Wales	<a href="#">43(3bi)</a>	<a href="#">120</a> (paragraphs 4 & 5)	<a href="#">123</a> (paragraph 3)

The consensus of the meeting was that a former employee should be allowed to repay the contributions, as the regulations do not prevent repayment after leaving. Contributions should be repaid by lump sum within six months of the last day of employment.

## **Pension sharing on divorce (transitional members)**

In [FPS Bulletin 3 – November/ December 2017](#) we informed readers of the following method of calculating a pension credit where the pension debit member is a member of FPS 2015 with transitional entitlement to either the 1992 or 2006 scheme:

*Given that eligibility for protection to remain in the final salary scheme applies to members of the scheme only and does not extend to spouses, the CETV should be calculated across the schemes (and the debit calculated from each) but the credit should be applied in the 2015 scheme only.*

*The pension credit should be based on the value of the whole ESCE (i.e. the shareable value of both the 1992 + 2015 CETV) and the credit should be calculated using the [2015 scheme guidance](#), using the [addendum](#) dated 13<sup>th</sup> May 2016.*

Following an extended period of deliberation and discussion, the Home Office have confirmed that, although this was the original intent of HMT policy and was legislated for within LGPS, there is no equivalent provision within FPS and no intention to amend the regulations at this time.

Therefore, practitioners should implement pension credits in respect of transitional members within the originating scheme, as there would be no legal recourse upon appeal. We are seeking guidance on how to remedy this retrospectively and will provide further updates via the bulletins.

## **SAB cost-effectiveness committee vacancy**

We have a vacancy on the [SAB cost effectiveness committee](#) for an HR FRA representative. If you are interested in sitting on this committee, please email [clair.alcock@local.gov.uk](mailto:clair.alcock@local.gov.uk) for further information.

## **February query log**

The current [log of queries and responses](#) is available on the FPS Regulations and Guidance website. The queries have been anonymised and divided into topics. The log will be updated on a monthly basis in line with the bulletin release dates.

Queries from earlier months have been grey-shaded to differentiate from new items added in January.

## Other News and Updates

### Public Service Pension Indexation and Revaluation 2019

On 20 February 2019, HM Treasury issued a [written statement \[HCWS1347\]](#) to confirm that public service pensions will be increased from 8 April 2019 by 2.4 per cent, in line with the annual increase in the Consumer Prices Index up to September 2018.

Revaluation for active members of FPS 2015 is applied in line with Average Weekly Earnings up to September 2018. The figure for the earnings element of revaluation is 2.8 per cent.

The treasury has issued a [covering note](#) and [multiplier tables](#) to help scheme administrators correctly apply the annual increase to public service pensions.

### The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment and Savings) Directions 2019

HM Treasury issued a [Written Ministerial Statement](#) on 30 January 2019 stating that the cost cap rectification will be paused pending the outcome of appeals in the Sargeant and McCloud cases on transitional protections.

HM Treasury has now issued new [directions](#) which remove references to the cost cap mechanism, while confirming that public sector employers should continue to pay the contribution rates set by the interim valuation results from 1 April 2019.

The average FPS employer rate from 1 April 2019 is 30.2%. We hope to be able to issue the individual scheme rates imminently.

As previously confirmed, there will be no changes to member contribution rates or the accrual rate at this stage. There will also be no change to the member contribution banding rates, therefore administrators should continue to use the bands that came into effect April 2018.

#### Contribution rates from 1 April 2018 to 31 March 2019 (percentage of pensionable pay).

Pensionable pay	FPS 1992 and FPS 2006 Special Members
Up to and including £15,609	11.0%
More than £15,609 and up to and including £21,852	12.2%
More than £21,852 and up to and including £31,218	14.2%
More than £31,218 and up to and including £41,624	14.7%
More than £41,624 and up to and including £52,030	15.2%
More than £52,030 and up to and including £62,436	15.5%
More than £62,436 and up to and including £104,060	16.0%
More than £104,060 and up to and including £124,872	16.5%
More than £124,872	17.0%

2.—(1) In the case of a part-time regular firefighter, the pension contribution mentioned in rule G2(1) is the percentage of his pensionable pay ascertained from the Table [in paragraph 3] by reference to the amount of pensionable pay which he would have received had he been a whole-time regular firefighter. [SI 2012/953 [Schedule 8, Part A1, rule 2, paragraph 1](#)]

<b>Pensionable pay</b>	<b>FPS (England) 2006</b>
Up to and including £15,609	8.5%
More than £15,609 and up to and including £21,852	9.4%
More than £21,852 and up to and including £31,218	10.4%
More than £31,218 and up to and including £41,624	10.9%
More than £41,624 and up to and including £52,030	11.2%
More than £52,030 and up to and including £62,436	11.3%
More than £62,436 and up to and including £104,060	11.7%
More than £104,060 and up to and including £124,872	12.1%
More than £124,872	12.5%

2. The amount of pensionable pay of a retained or volunteer firefighter for the purpose of the first column of the Table shall be that firefighter's reference pay.

3. The amount of pensionable pay of a part-time regular firefighter for the purpose of the first column of the Table shall be the amount of pensionable pay of a whole-time regular firefighter of equivalent role and length of service. [SI 2012/954 [Annex A1, paragraphs 2 & 3](#)]

<b>Pensionable pay</b>	<b>FPS 2015</b>
Up to £27,818	11.0%
£27,819 to £51,515	12.9%
£51,516 to £142,500	13.5%
£142,501 or more	14.5%

(3) The amount of pensionable pay of a retained or volunteer firefighter for the purpose of the first column of the table must be that firefighter's reference pay.

(4) The amount of pensionable pay of a part-time regular firefighter for the purpose of the first column of the table must be the amount of pensionable pay of a whole-time regular firefighter of equivalent role and length of service. [2014/2848 [Regulation 110, paragraphs 3 & 4](#)]

## New Club transfer factors

New Club factors will come into effect from 1 April 2019.

The updated factors calculated using the new SCAPE discount rate for NPAs 55, 60, 65, 66, 67 and 68 can be found at [Appendix 2](#) and have been uploaded to <http://fpsregs.org/index.php/gad-guidance/club-transfers>.

The following process for applying the new factors has been agreed between public service pension schemes:

- where a Club transfer estimate was issued before 1 April 2019 and the option forms are returned within the guarantee period, the payment is made as quoted (i.e. based on the pre 1 April 2019 factors). In turn, the receiving club scheme completes the transfer in based on the club factors used by the sending club scheme (i.e. the pre 1 April 2019 factors), by reference to the calculation date.
- any new estimates from 1 April 2019 or recalculations where the option forms were received outside the guarantee period would be on the new factors (i.e. the new factors effective from 1 April 2019). Again, the receiving club scheme completes the transfer in based on the factors used by the sending club scheme (i.e. the new factors effective from 1 April 2019), by reference to the calculation date.

## Britain's exit from the EU

On 24 January 2019, The Pensions Regulator (TPR) published a [statement](#) on the UK's exit from the European Union, aimed primarily at the trustees of defined benefit (DB) pension schemes.

The statement confirms that because UK workplace pensions are largely domestic in nature, TPR does not expect the UK's departure from the EU to have a significant effect in respect of the legislative basis under which schemes operate or trustees' ability to continue to administer their scheme effectively (whether or not the departure is with 'deal' or 'no deal' scenario). However, there are some specific areas that authorities may need to pay attention to and these are detailed within the statement (largely relating to cross border activities and the payment of occupational pensions to EU citizens).

On 15 February 2019, DWP updated two sets of guidance explaining the rights of [UK nationals in the EU](#), and [EU citizens in the UK](#), to benefits and pensions if the UK leaves the EU without an agreement (a 'no deal' scenario).

The guidance confirms in respect of both parties that:

"There is nothing in UK private occupational pensions legislation that prevents occupational pension schemes from making pension payments overseas. We do not expect that this will change as a result of the UK withdrawing from the EU."

## HMRC

### HMRC newsletters/bulletins

HMRC have published pension schemes newsletter 107 containing important updates and guidance on pension schemes. The following issues are covered:-

[Pension schemes newsletter 107 – 27 February 2019](#): Relief at source | Master Trusts - the closing date for applications for authorisation is 31 March 2019 | Reporting non-taxable death benefits| Managing Pension Schemes – registering as a scheme administrator |



## Contracting-out reconciliation update

The following bulletin, containing important guidance and information about the end of contracting out and the scheme reconciliation process, was published by HMRC in February.

### [Countdown bulletin 42](#)

This bulletin gives important information and dates regarding scheme financial reconciliation.

## Training and Events

### 2019 events

We have put together a topical and varied programme of national events for 2019. Details of the dates can be found in the [calendar](#) section of the bulletin.

We will continue to offer bespoke in-house training throughout the year. Each board is entitled to a free annual training session under the statutory levy, which can be utilised on the new scheme manager training package advertised in [FPS Bulletin 16 – January 2019](#).

For more information or to book a session, please contact us as at [bluelight.pensions@local.gov.uk](mailto:bluelight.pensions@local.gov.uk).

## Legislation

SI	Reference Title
<a href="#">2019/159</a>	The Pension Protection Fund and Occupational Pension Schemes (Levy Ceiling and Compensation Cap) Order 2019
<a href="#">2019/192</a>	The Occupational and Personal Pension Schemes (Amendment etc.) (EU Exit) Regulations 2019
<a href="#">2019/262</a>	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2019

## Useful links

- [The Firefighters' Pensions \(England\) Scheme Advisory Board](#)
- [FPS Regulations and Guidance](#)
- [Khub Firefighters Pensions Discussion Forum](#)
- [FPS1992 guidance and commentary](#)
- [The Pensions Regulator Public Service Schemes](#)
- [The Pensions Ombudsman](#)
- [HMRC Pensions Tax Manual](#)
- [LGA pensions website](#)

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