

Meeting of the Board 30 September 2021

FRA remedy self-assessment survey

Introduction

1. In December 2018, the Court of Appeal judged that the ‘transitional protection’ offered to some members of the FPS as part of the 2015 public sector pensions reforms gave rise to unlawful discrimination.
2. The Chief Secretary to the Treasury confirmed the requirement for a legal remedy across all public service pension schemes and a consultation was undertaken on the steps needed to address the discrimination.
3. On 4 February HM Treasury (HMT) published its [consultation response on changes to the transitional arrangements](#) to the 2015 public service pension schemes confirming that discrimination will be addressed in two parts.
4. To remove future discrimination from the schemes and ensure equal treatment, all remaining protected members who are not currently members of FPS 2015 will transfer into this scheme on 1 April 2022.
5. For benefits built up during the period of discrimination, 1 April 2015 to 31 March 2022, unprotected and taper members will be credited with final salary build-up in their original scheme. At retirement, all members will be able to keep their legacy final salary benefits or choose to receive the CARE benefits that they would have built up in the same period.
6. These adjustments will require significant change to systems and processes in place and will involve a considerable amount of time and resource to implement. Bearing in mind the unique management and governance structure of the Firefighters’ Pension Scheme (FPS) where each Fire and Rescue Authority (FRA) is the scheme manager with legal responsibility for running the scheme, and is required to appoint an administrator, implementation will present a specific set of challenges to the sector.
7. In addition, a second options exercise in relation to [FPS 2006 special members](#) (Matthews) is expected to take place, in which eligible individuals will be able to elect to extend membership beyond 1 July 2000 to any employment as a retained firefighter prior to that date. No timescales are known at this stage. However, Matthews will have a considerable impact in terms of time and resources needed.

8. Finally, the FPS administration market has seen a reduction in the number of providers in recent years, potentially due to the rising complexity of the FPS¹. Procurement options when tendering for new administration services are limited.
9. As part of their statutory role to provide advice to scheme managers and Local Pension Boards (LPBs) relation to the efficient and effective administration and management of the Firefighters Pension Scheme, the Scheme Advisory Board wanted to understand more about arrangements for managing the pension scheme and specifically for implementing the age discrimination remedy.
10. Following a paper to the Board on 10 December 2020, it was agreed that a survey would be issued to FRAs with the following objectives:
 - 10.1. The results of the survey will be used to determine whether FRAs have a preferred future model of administration and consider whether this is desirable and achievable.
 - 10.2. On implementation of remedy, the outcomes will illustrate how prepared FRAs are, what plans are in place, and where support is most needed.
11. This paper provides a summary of the survey responses. The [draft research report](#) is available in the member-restricted area of www.fpsboard.org.

Executive summary

12. The survey invitation was issued by email to all FRAs following a public launch in May 2021. It was in the field from 20 May 2021 to 31 August 2021. The survey received a 100 per cent response rate, although not all FRAs answered all of the questions.

Current arrangements

13. Sixty per cent of FRAs are covered by just two providers in England. The number of single-FRA administrators is reducing as providers withdraw from the Firefighters' Pension Scheme (FPS) market due to the time and expertise required to administer the scheme.
14. Administration contracts began as early as 1940 and as recently as 2021. Over half of current arrangements are due to end within the next four years. Around one third of FRAs are planning to tender at the end of their current contract, with the most common routes to procurement being full tender and selection from a framework.
15. Preferences for future administration for the scheme were inconclusive. Half of respondents favoured retention of current arrangements or had no preference. Around one quarter preferred three or four "super" administrators, which will potentially occur reactively through natural attrition.

¹ [SAB 17 Sept 2020: Paper 2 Pension administration market and complexity](#)

16. In most cases, delivery of the administration contract is overseen by a manager or head of department in human resources, finance, pensions, or payroll. posts are generally line-managed by a member of the senior leadership team.

Data

17. Eighty-five per cent of FRAs have started work to identify data requirements for age discrimination remedy, compared to just 28 per cent for the second FPS 2006 special members' exercise. This variance is reflective of the fact that the scope and mechanics of the second options exercise have not yet been established.
18. Work on remedies data is generally being led by a manager or head of department in human resources, finance, pensions, or payroll. Eighty-seven per cent of authorities expect to need additional resource for one or both of these projects.
19. Within the majority of FRAs, the ill-health retirement (IHR) process is managed by human resources and it appears that teams will be resourced to manage reassessment of cases that might be needed, as numbers are likely to be relatively small.
20. Just under half of FRAs have an in-house staff payroll service and around one quarter also provide pensioner payroll. Of the two-thirds who have outsourced pension payroll function, this is likely to sit with the pension administrator.
21. Over half of FRAs have changed either their payroll provider and/ or payroll system since the start of the remedy period in 2015, which may present additional challenge in obtaining historic payroll data. The number of years payroll records go back ranged from three to 40; for employment records the range is zero to 50.
22. Challenges relating to data collection for age discrimination remedy were specified as conversion of records from final salary and CARE, and the time taken to complete the exercise. For special members, many FRAs are concerned that data will no longer be available for the periods in question, and that there would be difficulty in identifying and verifying individuals.
23. Both business as usual and remedy contribution adjustment processes will mainly be dealt with by payroll and finance teams. This also includes the corresponding adjustments to tax relief. FRAs acknowledged that different processes may need to be applied for different cohorts of member. A more collaborative approach to the interest process is envisaged, with departments working together to ensure the correct payments are made or deducted.
24. The majority of respondents (91 per cent) confirmed that they will be able obtain or calculate backdated contribution data. Key themes identified in issues that might occur include available resource, lack of guidance, and impact on members.

Processes and impact

25. Confidence in existing tax processes for the purposes of recalculating pension growth for age discrimination remedy was split 50-50. Many FRAs identified that their administrator would be responsible for performing these calculations. Others commented that it was not possible to give an informed response until legislation and guidance is available.
26. Administrators were also reported to be primarily responsible for Event Reporting to HMRC.
27. At the time of the survey, it was anticipated that members would have to use Voluntary Scheme Pays (VSP) to settle any ordinary tax charges resulting from the remedy adjustments, therefore FRAs were asked if they had a VSP policy in place. Eighty-nine per cent have a policy and 11 per cent do not.
28. Almost all FRAs (94 per cent) have a nominated finance lead for pensions. Two-thirds expect to need additional resource to deal with financial adjustments and impact on business as usual. However, less than one quarter (22 per cent) of authorities have an allocated budget for direct and indirect remedy costs.
29. Sixty-three per cent have a nominated legal lead for pension matters and in 62 per cent of those cases, that person is the FRA's "nominated contact" for proceedings that are managed collectively by the LGA.
30. At almost all FRAs, workforce planning is managed by a member of senior human resources support staff or a uniformed equivalent. Eighty-nine per cent of FRAs confirmed that they are able to identify the cohort of members affected by age discrimination remedy and 83 per cent are modelling the potential impact into plans. Numbers range from between 15 to 4,000 members.

Information, communication, and coordination

31. In order to help member understanding of age discrimination remedy, FRAs indicated that a suite of member scenarios and online tools with a direct link to the pension administration system were the preferred options. Standalone tools such as a high-level modeller or other online solution were less popular.
32. Around half of FRAs are currently providing information to members, although this is primarily concerning immediate detriment or is generic information which has been circulated by the LGA.
33. All parties were felt to have a role to play in communications, with the LGA being the first choice to provide information at key points (70 per cent), administrators being the main contact for member queries (70 per cent), and FRAs providing information directly to the workforce (61 per cent).
34. FRAs had mixed views on coordination of remedy implementation, indicating a

slight preference (33 per cent) for collaborative engagement with a shared administrator. Just under half of authorities have a remedy project team in place, which generally tend to include the administrator.

35. Communication for the first special members exercise was given an average rating of 5.93 out of 10, but whether this affected take-up rate was inconclusive. Key areas suggested for improvement in the second exercise were consistency of information and clear guidance.

Knowledge, capability, and capacity

36. FRAs measured their level of internal pensions knowledge and capacity at an average 5.67 out of 10. Popular options for addressing any shortfall were establishing new roles and accessing training.
37. Most FRAs (85 per cent) have included remedy implementation as a risk on their corporate register and subsequently reported it to their Local Pension Board.
38. The sector strongly agreed that the LGA are best placed to lead on policy engagement with government (98 per cent); on direct communication or provision of content (87 per cent); and on engagement with administrators (89 per cent). These responses give the LGA the necessary endorsement to lead on remedy related issues on behalf of FRAs and provide assurance that this is the preferred approach.

Recommendations

39. Overall, the survey has painted a positive picture of the sector's preparedness for remedy in Sargeant and Matthews. The weighted average response for usefulness of the survey in identifying gaps was around six. This suggests that FRAs feel, on balance, relatively prepared. The survey results will allow authorities to benchmark their existing plans and the following recommendations are made to address areas of concern:

39.1. An abbreviated version of the survey is carried out at intervals as a temperature check as the responses to some questions are likely to change as further policy direction and legislation become available.

39.2. Improve routes to administration procurement for FRAs by development of a procurement framework. This would allow FRAs to avoid long and complicated procurement processes and will allow greater choice of preferred providers. Options are either to develop an 'in sector' procurement framework for Fire and Rescue Services by working with the sector and building on the sector's own resources and experience of frameworks or go outside the sector and work with independent advisers.

39.3. The FPS technical group to establish a set of principles and best practice for cases where data cannot be obtained (Matthews).

- 39.4. Close monitoring of policy information from central government and provision of accompanying guidance developed by the FPS technical group to action contribution adjustments.
- 39.5. Further engagement with administrators and software suppliers on pensions tax adjustment processes once the Finance Bill is enacted in April 2022 and requirements are clearer.
- 39.6. The LGA to work closely with the chair of the Fire Finance Network to monitor remedy costs, particularly in relation to software and administration.
- 39.7. The LGA Bluelight team to liaise internally with Workforce colleagues to determine whether any improvements can be made to the “nominated contacts” procedure for better sharing of information.
- 39.8. Ensure that scheme members receive timely and comprehensive information on remedy in order for them to make informed choices.
- 39.9. Information on remedy to be added to www.fpsmember.org by the end of October 2021.
- 39.10. Immediate procurement for scenarios for all member cohorts across schemes. The SAB to encourage software suppliers to improve the online member self-service offer and encourage administrators to make this available to FRAs.
- 39.11. All FRAs and administrators to have a remedy project team with a named lead, to ensure effective implementation of both Sargeant and Matthews.
- 39.12. The LGA to consider training needs and how these can best be met. Governance training will be provided to LPBs allow them to successfully scrutinise and monitor local delivery of remedy.

Board actions

40. The Board are asked to provide comments on the outcomes of the survey and agree the recommendations made.
41. The Board to draft a statement to FRAs to accompany publication of the research report.

Board Secretary
September 2021