

CUMBRIA FIRE LOCAL PENSION BOARD

Meeting date: 3 February 2021

From: Chief Fire Officer

MONITORING REPORT FOR THE PERIOD TO 30 SEPTEMBER 2020

1.0 EXECUTIVE SUMMARY

1.1 *This report advises Cumbria Fire Local Pension Board Members of any material risk management, policy or governance issues and national regulatory changes to 31 December 2020 and any performance monitoring issues of the Scheme to 30 September 2020.*

Risk Management:

1.2 *The Cumbria Fire Local Pension Board (the Board) follows accepted best practice across Public Sector Pension Schemes in formally reviewing Scheme risks at every meeting.*

1.3 *The risk register (as presented in Appendix 1) outlines the key risks to the Scheme.*

1.4 *There have been a number of developments during the quarter that have led to amendments to the comments associated with some of the risks on the register, and the risk score associated with Pensions Administration services has been reduced.*

Pensions Administration:

1.5 *Performance against key performance indicators for LPPA was 99.07% (against the SLA of 95%) for the quarter to 30 September 2020.*

Governance:

1.6 *There are no legal breaches to report during the period.*

1.7 *There were no discretions exercised during the period.*

Policy & Regulation:

1.8 *As verbally reported at the last Board meeting, the legal sign off process of the discretions policy is now complete.*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 2.1** *The Council's vision is to be "A Council that works with residents, businesses, communities and other organisations to deliver the best services possible within the available resources". As part of the approach to delivering this vision the Council aims to "Put customers at the heart of everything we do".*
- 2.2** *Good governance and risk management will aid the Council in its role as Scheme Manager in ensuring its regulatory responsibilities are met, a good service is provided to scheme members and costs are controlled. Cost control will have a direct impact on revenue budgets.*
- 2.3** *There are no direct equality implications arising out of the recommendations in this report.*

3.0 RECOMMENDATION

- 3.1** *It is recommended that the Cumbria Fire Local Pension Board receive and note the performance of the Cumbria Firefighters' Pension Scheme (FPS) to 30 September 2020 and any material policy or governance issues and national regulatory changes to 31 December 2020.*

4.0 RISK

- 4.1.1** Risk management is a key element of good governance for any organisation. Officers of the Scheme continually review and monitor risks bringing any significant emerging issues to the Boards attention throughout the year, with Members formally reviewing these at each meeting. This quarterly review process ensures consistent and timely Member oversight of risk monitoring and thereby provides enhanced due diligence in this regard.
- 4.1.2** The current risk register at December 2020 is attached at Appendix 1. The register currently has 13 risks comprising 1 red risk (information security arrangements); 2 amber risks (pension administration processes and the Sargeant Judgement); and 10 green risks.
- 4.1.3** The risk score associated with Pensions Administration services has been reduced:

Amended Risk: Ref 1.2 - Pensions Administration Processes

Impact of occurrence score	3
Likelihood of occurrence score	3 - reduced from 4
Total Risk Score	9 (Amber) reduced from 12 (Amber)

The Pensions Administration Processes risk was increased in 2018/19 due to poor performance within LPPA in the first half of the year. During the second half of 2018/19, following actions taken by LPPA to address the issue, performance levels improved. Performance has remained

under close scrutiny during 2020/21 and has been at or above the target performance levels. Performance and member experience are now considered sufficiently robust to reduce the score for the likelihood of this risk occurring from “4” (likely) to “3” (possible).

- 4.1.4 The comments associated with some risks have been amended to reflect a progress over the past quarter including the proposed resolution to the Sargeant judgement. However, other than the amended risk above, there have been no amendments to the scoring of any of the risks.

5.0 SCHEME MONITORING

5.1 LPPA Performance

- 5.1.1 To allow members of the Board to perform effective governance and oversight of the Fund Administration, the quarterly performance report to 30 September 2020 is attached at Appendix 2.
- 5.1.2 In the quarter to 30 September 2020, performance against all but one of the KPIs has been 100%, against the SLA target of 95%, with all targets being met resulting in an overall performance of 99.07% for the quarter. Other than June and August 2020, performance has been 100% for every month since September 2019.
- 5.1.3 The risk register notes that, without mitigations, COVID-19 poses a significant risk to the administration service provided to the Fund. It is therefore a positive outcome that LPPA performance has not been materially affected by the pandemic. The Fund continues to provide robust scrutiny and challenge to the quality of service provided by LPPA to ensure that scheme employers are supported throughout the ongoing COVID-19 pandemic and any impact on scheme members is minimised.
- 5.1.4 In addition to the industry standard indicators provided, the LPPA Performance Report also reports on whole system performance data by including statistics relating to the time taken from when a member requests to be put into pension until the time their pension is ready for first payment.
- 5.1.5 This period can be influenced by response times from the scheme member, as well as by LPPA. While LPPA cannot control all these elements, monitoring the complete cycle is more representative of the scheme member experience. Such indicators help to inform the Scheme of where any systematic blockages are occurring and thereby where to direct resources aimed at improving our members' experience.
- 5.1.6 From 2020/21, the report identifies response times for new retirements for deferred members and active members with an analysis between the time taken for LPPA to process the retirements and the time cases are on hold due to information being required from the scheme member, employer, or AVC provider. Monthly data for Q2 is summarised in the table below.

Time taken to put scheme members into pension:

	Deferred Members			Active Members		
	July 20	Aug 20	Sept 20	July 20	Aug 20	Sept 20
LPPA processing time (average working days)	0	5	0	0	8	13
Case on hold (average working days)	0	0	0	0	33	12
Total Average Working Days	0	5	0	0	41	25

5.1.7 The majority of the cases on hold in August 2020 were due to awaiting information from the employer, whereas in September they were all awaiting member information. It takes LPPA longer, on average, to put an active member into pension than a deferred member. This is due to often requiring additional information from employees before an active scheme member can be put into pension.

5.1.8 At their last meeting the Board were informed of the introduction of the Public Sector Exit Payments Cap legislation (approved by HM Government on 30 September 2020), and the requirement for additional legislation to amend the FPS regulations to implement this. The changes are expected to be introduced in early 2021, and there is a risk that software developers may not have been able to update systems to enable the required calculations to be automated. This may mean the calculations of estimates and pension benefits for a small number of retirees will have to be undertaken manually. Officers are working closely with LPPA to assess the impact this may have. The Operations Director at LPPA has advised that “LPPA remain committed to continuing to deliver the SLA performance whilst navigating these complexities however, to maintain performance, we may need to increase resource depending on the level and type of additional work.”

5.1.9 The Scheme will continue to provide robust scrutiny and challenge to the quality of service provided by LPPA to ensure that the service experienced by scheme members and employers is good, consistent and sustainable.

5.2 Legal breaches recorded / reported during the quarter

5.2.1 All individuals with a role in the Scheme have a duty to report breaches of law when they have reasonable cause to believe that a breach of material significance to the Pensions Regulator has taken place. Where a breach is not deemed material there is a requirement to record the breach.

5.2.2 In line with good governance and the Scheme’s policy and procedure on reporting breaches of the law, the Fire Local Pension Board are notified of: -

- all breaches, including those reported to the Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential); and

- any future actions for the prevention of the breach in question being repeated.

5.2.3 There are no breaches to report for the quarter to 30 September 2020.

5.3 Scheme Discretions

5.3.1 As per the update in the previous meeting the Discretions Policy has now had final sign off. The policy is now available on Intouch at <https://www.cumbria.gov.uk/hr/pensions/default.asp> under the Firefighters tab.

5.4 Pensions Ombudsman

5.4.1 There have been no cases referred to the Pensions Ombudsman during this period.

5.5 IDRP

5.5.1 There have been no IDRP appeals received during this period.

5.6 Pensionable Pay

5.6.1 As per the update at the previous meeting, the pensionable pay analysis following the Booth v Mid and West Wales (2019) case has now been completed with no pay elements needing amending. Since the last meeting, our Trade Unions have been updated. The payroll rationalisation exercise continues. People Management will continue to liaise with the Service Centre to ensure this is completed

5.7 Data Quality:

5.7.1 Work on improving the data held within the Scheme has been scaled back during the year to ensure the Scheme can appropriately meet other challenges, including the impact of COVID-19, and new legislation / regulatory changes whilst prioritising work to meet requirements of the Pensions Regulator.

6.0 **POLICY AND REGULATION**

Regulatory changes

6.1 This section of the monitoring report provides a summary for Members on recent and proposed future changes to legislation which may impact on the Scheme.

6.2 Remedy to Sargeant Age Discrimination Case

6.2.1 On 16 July 2020, HM Treasury launched a formal consultation on its proposed changes to the transitional arrangements to the 2015 schemes (including the Firefighters' scheme) to remedy the discrimination found in the Sargeant case.

- 6.2.2 The proposed remedy is complex but thorough. CFRS welcomed the proposals and consider these are appropriate to address the discrimination found in the 2015 pension scheme amendments.
- 6.2.3 A copy of the Scheme's response to the consultation was shared with Board members and submitted to HM Treasury before the consultation closed on 11 October 2020. Officers are awaiting the outcomes of the consultation and will advise the Board when further information is available.
- 6.2.4 A paper was completed by People Management and Legal Services on the implementation of the Immediate Detriment Guidance (Home Office guidance). The purpose of this information note was to provide the Chief Fire Officer (the Scheme Manager) with information in relation to the immediate detriment guidance note supplied by Home Office (HO) on 21 August 2020 to Fire and Rescue Authorities (FRAs), to highlight the issues and risks and to seek a decision on the way forward at the current time. Following review of the Bevan Brittan legal advice note, the HO guidance and Local Government Association (LGA) guidance, People Management and Legal Services were of the view that the HO Guidance should not be implemented at this time. The primary reasons for that was the note itself was stated to be interim guidance and it does not provide any kind of firm assurance to FRAs (and pension scheme members) that they can safely and lawfully rely on its terms to determine and make payments at this time and it would be prudent to wait until further guidance is issued to take action to address those who fall into the immediate detriment category. The recommendation was accepted by the Chief Fire Officer and subsequently the Trade Union's were informed.
- 6.2.5 It is understood that LGA have sought clarification on outstanding issues in relation to the HO guidance and further information to FRA's is expected at which point the matter can be further reviewed.

7.0 OTHER MATTERS

Training

- 7.1.1 Board Members continue to be notified of relevant training events (internal and external) as and when they arise and are encouraged to attend.
- 7.1.2 Guidance and training material can be accessed by Board Members via the link below to the dedicated Fire Local Pension Board Sharepoint site: -

<https://extranet.cumbria.gov.uk/CLGPS/ers/FireLPB/default.aspx>

Public Service Pension Schemes – Governance and Administration Survey 2019, published November 2020:

- 7.1.3 A survey was first undertaken by the Pensions Regulator (tPR) in 2015 to assess how schemes were meeting the new requirements of the Public Service Pensions Act 2013, and the standards to which they were being run. Further surveys have been run annually to provide a regular assessment of

performance, understand barriers to improvement, and delve deeper into the top risks facing public service schemes.

- 7.1.4 In 2019 the responses covered 98% of FRS schemes which relates to 97.5 % of Scheme membership. Results for the review of six key processes that tPR monitors as indicators of public service scheme performance were unchanged since 2018, aside from a decrease for risk management. Almost two-thirds (64%) of all public service schemes, including the Cumbria FRS, have all six of the key processes in place, representing 71% of all membership. This is particularly positive given that the results were lowest for Firefighters' schemes at 55%.
- 7.1.5 The proportion of all public service schemes with documented procedures for assessing and managing risks fell from 92% in 2018 to 82% in 2019. Although the reduction was only 4% for FRS schemes, they are still the schemes which are least likely to have this process in place, at 76%. The full report is available online on the Pension Regulator's website: - <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-governance-and-administration-survey-2019.ashx>
- 7.1.6 The Cumbria FPS maintains a dedicated Risk Register. This is a dynamic document which is updated as and when any developments arise that lead to a change in the risks to the Scheme and is formally reviewed by the Board on a quarterly basis. The Board has also performed a 'deep dive' exercise of the register with consideration being given to those risks that were most critical to the Fund. The review also resulted in a new simplified format, and improved visibility of controls and measures in place to ensure risks are being managed effectively.

8.0 OPTIONS

- 8.1 To either note the performance of the Cumbria Firefighters' Pension Scheme (FPS) to 30 September 2020 and any material policy or governance issues and national regulatory changes to 31 December 2020 or request further information.

9.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

- 9.1 The Sargeant ruling is expected to result in changes to the Firefighters' Pension Scheme and an increase in the cost of the Scheme. The full extent of these changes and the anticipated increase in costs is not yet known and will only become apparent once a final remedy has been determined by the employment tribunal. The Board will continue to be advised of progress with this valuation through the Monitoring Reports, specific reports and verbal updates to the Board when appropriate.

10.0 LEGAL IMPLICATIONS

10.1 The report is for the Board to note and there are therefore no direct legal implications.

11.0 CONCLUSION

11.1 To ensure good governance the Scheme must have in place a suite of fit for purpose policies and risk control procedures. Regular scrutiny by this Board will provide challenge and help ensure these stay current and effective.

John Beard
Chief Fire Officer

3 February 2021

APPENDICES

Appendix 1 Cumbria Fire LPB Risk Register at December 2020

Appendix 2 Quarterly LPPA performance report to 30 September 2020

Electoral Division(s): All

Executive Decision	<input type="checkbox"/>	No	
Key Decision	<input type="checkbox"/>	No	
If a Key Decision, is the proposal published in the current Forward Plan?	<input type="checkbox"/>		N/A
Is the decision exempt from call-in on grounds of urgency?	<input type="checkbox"/>	No	
If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?	<input type="checkbox"/>		N/A
Has this matter been considered by Overview and Scrutiny? If so, give details below.	<input type="checkbox"/>	No	
Has an environmental or sustainability impact assessment been undertaken?	<input type="checkbox"/>	No	
Has an equality impact assessment been undertaken?	<input type="checkbox"/>	No	

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS

No previous relevant decisions.

REPORT AUTHOR

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