

CUMBRIA FIRE LOCAL PENSIONS BOARD

Meeting date: 9 March 2023

From: Chief Fire Officer

MONITORING REPORT FOR THE PERIOD TO 30 SEPTEMBER 2022

1.0 EXECUTIVE SUMMARY

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 2022 and any performance monitoring issues of the Scheme to 30 September 2022.

Risk Management:

- 1.1** *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.*
- 1.2** *The risk register (as presented in Appendix 1) outlines the key risks to the Scheme.*
- 1.3** *During the quarter no risks have been added or removed from the register. However there have been developments that have led to amendments to the comments associated with some of the risks on the register, and in particular from the additional meeting held on 5 December 2022. This resulted in the risk register being updated to include the risk of loss of key personnel as a result of LGR and the staff allocation process, and to acknowledge the drop in the LPPA performance whilst they transfer to a new system (project PACE).*

Subsequently the score for the risk of loss of key personnel has been increased to 20. This is due to both the resignation of the Senior Advisor (Pensions) whose work was mostly focused on Fire Pensions, and the change that will occur to the membership of the Fire Local Pensions Board on the transfer to the Cumbria Commissioner Fire and Rescue Authority on 1 April 2023. Whilst the Scheme Members representatives on the Board will remain the same the Scheme employers will change to the Cumbria Commissioner Fire and Rescue

Authority and another representative yet to be determined. There may be a need for additional training as a result of these changes.

Pensions Administration:

- 1.4 Performance against key performance indicators for LPPA was 60.6% (against the SLA of 95%) for the quarter to September 2022.**

Governance:

- 1.5 Consideration is being given to a potential breach during this time in relation to errors in contributions deductions for a small group of staff. The matter is still being investigated and when the details are known a decision will be made on whether this should be reported to the TPR.**

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 2022 and any material policy or governance issues and national regulatory changes to 31 December 2022.**

4.0 RISK

- 4.1 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 Board's 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.**
- 4.2 The current risk register at January 2023 is attached at Appendix 1. No new risks have been added, nor have any risks been removed from the risk register this quarter. The comments associated with some risks have been**

amended for clarification purposes and to reflect developments over the past quarter. The scoring of the risks of loss of key personnel has been increased to 20.

- 4.3 Following the Board meeting in July confirmation was received from the Home Office that Cumbria's Police and Crime Commissioner (PCC) will take on governance responsibility for CFRS when CFRS transitions from CCC on 1 April 2023 and will be known as the Cumbria Commissioner Fire and Rescue Authority. The likelihood of the loss of key personnel during the transitional period will have a detrimental impact on the delivery of pension responsibilities. The actual loss of some key personnel is now evident. The Senior Advisor (Pensions) has resigned and the other officers in People Management who assist with the support of the fire pension function will transfer to Westmorland and Furness Council on a hosted basis initially.
- 4.4 Also, there are a number of other individuals involved in fire pensions, People Management, Finance, Legal, Payroll and Systems teams, responsible for delivering day to day Fire pension work and to both the two major projects: Sargeant and Matthews. Each individual is a single point of expertise within that team and a loss of any of those skills and knowledge is likely to have a detrimental impact on delivery of pension responsibilities. This is compounded by the likelihood that these key personnel are likely to be split between CFRS and the two unitary authorities therefore, it is essential that robust arrangements are in place to ensure continuity of service.
- 4.5 The register currently has 14 risks comprising 4 red risks (information security arrangements, the Sargeant Judgement, loss of key personnel and Fire Governance Transition); 2 amber risks (pension administration processes, the O'Brien Judgement), and 8 green risks.

5.0 SCHEME MONITORING

LPPA Performance

- 5.1 To allow members of the Board to perform effective governance and oversight of the Scheme Administration, the quarterly performance report to 30 September 2022 is attached at Appendix 2. To continue to improve pension administration arrangements for the benefit of all members and employers of the scheme LPPA took the decision to move over to a new pension system called UPM (Universal Pension Management). This significant work programme began in early 2022 continued through to early 2023, working with their clients in a phased approach. Cumbria FRS was in the second phase of the project which went live on 5 December 2022.
- 5.2 The process of implementing the new system, and the migration project is now almost complete however, as expected, performance was adversely affected during periods of 2022.
- 5.3 The primary reason for performance being below target in Q2 was due a system outage at the end of June resulting in the administration system being unavailable for 4 ½ days with no ability to undertake any caseload

work in this time. This had a knock-on effect into performance for the rest of the quarter as LPPA struggled to catch up with the workload whilst also being challenged by staffing shortages.

- 5.4 Due to the additional pressures arising from the implementation of UPM, and a backlog of cases that may arise during the period in which cases are transferred between systems, a relaxation of performance targets has previously been agreed for November 2022 to January 2023. During these months, payment-based targets (i.e. death cases and new retirements) reduced from 95% to 90% and all other targets reduced from 95% to 70%.
- 5.5 In the quarter to 30 September 2022, LPPA delivered 60.6% of caseload within the agreed timeframes against their target of 95%. Processing of death cases and retirements from deferred status fell below the target of 95% within 5 working days (death cases – 33.3%; deferred member retirements – 60%; and active member retirements – 42.9%).
- 5.6 The retirement satisfaction score also fell slightly during the quarter. LPPA's Member Engagement Team are reviewing the satisfaction surveys to identify potential opportunities to improve the member experience within this area.
- 5.7 Helpdesk performance scores have improved during the quarter, rising from 75% in the previous period to 83%. There was a spike in calls in August following the issue of the Annual Benefit Statements however, average wait times remained below 4 mins (target).
- 5.8 Annual Benefit Statements (ABS) were issued to the majority of Deferred and Active members by the 31 August deadline, with the second ABS run on 30 November.
- 5.9 Whilst performance against agreed targets was low this quarter, it is encouraging that performance has improved since the end of quarter with performance of 88.5% in October and 75% in November, against the target of 95%.
- 5.10 A representative from LPPA has been attending the quarterly board meetings virtually to provide updates and reassurance to members on their progress.

Data Quality

- 5.11 Data held within Cumbria FPS continues to be of a good quality. This is evidenced by the scoring mechanism as set out by the Pensions Regulator. The LPPA report in Appendix 2 provides TPR data scoring information at pages 43 & 44. This notes that the Scheme reported 98.5% of its common data (e.g., NI number, address etc.) was present and accurate and the scheme specific conditional data (e.g., employment details, contribution history etc.) was scored as being 96.1% present and accurate and reflect those of the previous quarter.

Legal breaches recorded / reported during the quarter

- 5.12 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.
- 5.13 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.

There have been no breaches reported to the Regulator in the quarter, however, there is a potential breach that is still being investigated. This relates to the possible incorrect level of contributions being deducted from Firefighters whose pay had increased as a result of their CPD payments. Currently this potentially affects 18 individuals.

Scheme Discretions

- 5.14 There have been no scheme discretions exercised during the quarter.

Pensions Ombudsman

- 5.15 As reported in previous quarters, there has been one case which has been appealed to the Pensions Ombudsman.
- 5.16 The case relates to a former Retained Fire Fighter who, in the first options exercise elected to buy Modified Scheme Pension but then made a further election to convert this to the Standard 2006 Scheme (he ticked this box on the paperwork).
- 5.17 A response by CFRS was submitted to the Ombudsman and we are still waiting for either an update or the outcome.

IDRP

- 5.18 In the last quarter, one Stage 2 and one Stage 1 appeals have been concluded through the IDRP process. Details are set out in Part 2 of this Monitoring Report.

IDRP Stage 2 Person A

- 5.19 A Stage 2 appeal was received in September 2022 and the board was provided with a verbal update at the meeting in October. The appeal was in two parts.
- 5.20 The case was presented to a Stage 2 panel who, after receiving the evidence available, decided not to uphold either part of the complainant's appeal.
- 5.21 The complainant has been notified of the appeal outcome.

IDRP Stage 1 Person B

- 5.22 In November a Stage 1 appeal was received.
- 5.23 The stage 1 appeal was investigated and heard by the Scheme Manager, whose decision was to partially uphold the stage 1 appeal.
- 5.24 The complainant has now been notified of the Scheme Managers decision. The complainant has the right to appeal to stage 2.

6.0 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.

Remedy to Sargeant Age Discrimination Case

- 6.2 There have been no further developments or updates on the Sargeant Remedy and Immediate Detriment since the previous report to the Board in October.
- 6.3 However, as reported in October, negotiations are ongoing to settle the injury to feelings claims. This will apply to claimants and non-claimants and confirmation has been received that this will be funded by the government. An update will be provided at the next meeting.
- 6.4 At this stage, and in preparation for October 2023 when the regulations will be in place, CFRS will be focusing on what retrospective action is required for ill-health cases under the age discrimination remedy. This action will not be needed in every case, only where, under rollback the individual would qualify for alternative ill-health benefits. The first step will be to identify members who meet the specified criteria. To support this, the LGA have provided a factsheet which sets out the final policy in more detail ([Age discrimination remedy - Ill Health factsheet \(fpsregs.org\)](#)).

- 6.5 The board will be advised on progress with specific reports and verbal updates when appropriate.

Matthews – Second options exercise

- 6.6 For the Home Office to gain a better understanding of those affected by both Sargeant and Matthews, and for the Government Actuaries Department (GAD) in their work on costing assumptions, CFRS were selected to provide further data, to help GAD estimate the possible impact on scheme liabilities; project scheme cashflows in future years; and develop a calculator for FRAs and administrators to use to process cases during the second options exercise. This will also help the Home Office in their work to introduce the Matthews remedy including its public sector equality duty, as well as helping the LGA in their work to support the implementation of the second options exercise.
- 6.7 This was a challenging piece of work with over 600 individuals identified as being in scope for the second options exercise with, cases dating back to early 1960s. Due to the age of some of these cases, the data could not be provided as it has not been retained.
- 6.8 The board will be advised on progress with specific reports and verbal updates when appropriate.

Consultations

- 6.9 On 25 November 2022, HMRC published a technical consultation on a draft statutory instrument, which ensures the pensions tax framework will apply as intended to pension scheme administrators and members affected by the public service pensions remedy. The consultation was seeking views on the draft regulations.
- 6.10 The regulations set out changes to how the pensions tax rules will apply to pension scheme administrators and members of public service pension schemes as a result of the public service pensions remedy. The regulations will make changes to how pensions tax legislation operates in certain circumstances, including changes to how schemes will need to report and pay extra tax charges or reclaim overpaid tax and ensure that schemes can pay pension benefits as authorised payments.
- 6.11 This legislation is intended to take effect from 6 April 2023, but some provisions will have a retrospective effect. A response to the consultation was prepared by the LGA & LPPA and shared with CFRS before the consultation closed on 6 January 2023.

7.0 OTHER MATTERS

Fire and Rescue workforce and pension statistics

- 7.1 On 20 October the Home Office published the pension scheme statistics, covering April 2021 to March 2022, reflecting data returns on income, expenditure and membership submitted by all 44 FRAs in England.

During the financial year 2021 to 2022 some of the key results were:

- The Firefighters' Pension Scheme total expenditure was around £954 million, a 6% increase compared with the previous year (£903 million in financial year 2020 to 2021) and 17% higher than five years previously (£818 million in financial year 2016 to 2017).
- 81 % of expenditure was 'recurring outgoing payments', 18% was 'commutation payments', while 'transfers' and 'miscellaneous expenditure' together totalled 1%.
- The Firefighters' Pension Scheme total income was around £399 million, a 1% increase compared with the previous year (£393 million in financial year 2020 to 2021) and a 41 % increase from five years previously (£283 million in financial year 2016 to 2017).
- Employer contributions rose one per cent to £266 million, from £264 million in financial year 2020 to 2021, and nearly double the value of £134.9 million in financial year 2018 to 2019 as a result of changes to the discount rate set by HM Treasury from April 2019.
- 67% of income was 'employer contributions', 30% was 'employee contributions' and the remaining 3% comprised a combination of transfers, miscellaneous income and ill-health charges.

7.2 Firefighters' Pension Scheme deficit was around £556 million, a 9% increase compared with the previous year (£510 million in financial year 2020 to 2021) and a 4% increase compared with five years previously (£535 million in financial year 2016 to 2017).

Pensions Dashboard

7.3 In July 2022 the LGA reported on the Department for Work and Pensions (DWP) response to the consultation on the draft Pensions Dashboards Regulations and highlighted that the staging deadline for all public service schemes will be 30 September 2024 and that the requirement to provide value data will be 1 April 2025. Scheme managers can apply to DWP to defer the connection window in very limited circumstances. The deadline for applications to be made is 11 December 2023.

7.4 As a result of these new legislative requirements, the Chair of the SAB wrote to scheme managers and Local Pension Boards reminding them of their duties in respect of the new Pensions Dashboards, as scheme managers are ultimately responsible under the regulations for ensuring that dashboard duties are met. There will be significant work involved in successfully connecting to pensions dashboards therefore, preparation for this should start as soon as possible. The Pensions Regulator (TPR) is keen that schemes start planning now to be able to match dashboard requests to scheme records and return the required information to the dashboard.

7.5 The SAB understands that the data which is used for the dashboard is likely to be based on information currently being provided as part of Annual Benefit Statements (ABSs). The SAB is keen to encourage the parties to

agree consistent information for those documents, particularly given the challenges arising from the Sargeant remedy and second special members options exercise (Matthews).

- 7.6 LPPA began this project of work in January 2023, working closely with CFRS to ensure the data is ready for connection, and they will provide regular progress updates. It is LPPA's intention to connect directly to the Pensions Dashboard through an Integrated Service Provider (ISP).

Training

- 7.7 In October 2022 the LGA hosted their Fire Pensions Annual Conference in London and two Officers from Cumbria attended. The main sessions covered were the Compensation Scheme and Fire Pension Discretions.
- 7.8 Chris Dawson, Head of Engagement, Marketing and Communications from Local Pensions Partnership Administration will be providing an update on Project PACE (Pensions Administration Core Evolution) the project dealing with LPPA's new pension administration system, their preparations for Pension Dashboards and other general issues immediately after today's Board meeting.
- 7.9 The training needs assessment questionnaires were circulated in December 2022 and when the responses have been analysed a training plan for 2023 /24 will be developed.
- 7.10 Guidance and training material can be accessed by Board Members via the link below to the dedicated Fire Local Pension Board SharePoint site: -

<https://cumbria.sharepoint.com/sites/CLGPS/Shared%20Documents/Forms/AllItems.aspx>

8.0 OPTIONS

- 8.1 To either note the performance of the Cumbria Firefighters' Pension Scheme (FPS) to 30 September 2022 and any material policy or governance issues and national regulatory changes to 31 December 2022 or request further information.

9.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

- 9.1 The Sargeant ruling has resulted in the new PSPJOA 2022 coming into force on 1 April 2022, but with the changes to the Regulations not yet in place the full extent of these changes and the anticipated increase in costs remains unknown and will only become apparent once a final remedy is in place.
- 9.2 The Matthews ruling is expected to result an increase in the cost in the Firefighters' Pension Scheme. GAD are currently working on estimating the possible impact on scheme liabilities and projecting scheme cashflows in

future years however, the anticipated increase in costs remains unknown at the moment.

10.0 LEGAL IMPLICATIONS

10.1 The report is for the Board to note and there are therefore no direct legal implications. The Board has no remit as a decision making body but is established to assist the Scheme Manager fulfil its functions which shall be deemed to cover all aspects of governance and administration of the Pension Scheme.

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

1 February 2023

APPENDICES

Appendix 1 Cumbria Fire LPB Risk Register as of January 2023

Appendix 2 LPPA Quarterly Performance Report to 30 September 2022

Electoral Division(s): All

Executive Decision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No
Key Decision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No
If a Key Decision, is the proposal published in the current Forward Plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
Is the decision exempt from call-in on grounds of urgency?	<input type="checkbox"/>	<input type="checkbox"/>	<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"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
Has this matter been considered by Overview and Scrutiny?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No

If so, give details below.

Has an environmental or sustainability impact assessment been undertaken?

		N/A
		N/A

Has an equality impact assessment been undertaken?

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS

No previous relevant decisions.

REPORT AUTHOR

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