

HUMBERSIDE FIRE AUTHORITY

PENSION BOARD

25 JANUARY 2019

PRESENT:

Employer representatives: Councillor Shepherd and P McCourt (Director of Public Safety)

Scheme Member representatives: Mr B Johnson (Chairperson) and Mr G Marshall

Councillors Briggs and Green attended as observers.

Executive Director Service Support/Section 151 Officer and Scheme Manager, Monitoring Officer/Secretary, Director of Human Resources, Head of Finance, Senior Finance Officer (Contracts and Procurement), Finance Officer and Committee Manager.

The meeting was held at the Humberside Fire and Rescue Service Headquarters, Kingston upon Hull. Meeting commenced at 10.30a.m.

6030 APOLOGIES FOR ABSENCE - There were no apologies for absence.

6031 DECLARATIONS OF INTEREST - There were no declarations of interest.

6032 MINUTES - Resolved - That the minutes of the meeting of the Board held on 17 July 2018 be confirmed as a correct record.

6033 MATTERS ARISING FROM THE MINUTES - There were no matters arising from the minutes.

6034 REVIEW OF TERMS OF REFERENCE OF THE PENSION BOARD - The Monitoring Officer/Secretary submitted a report that summarised proposed changes to the Board's terms of reference. The report made reference to the surveys conducted by both the Pension Regulator in partnership with the Local Government Organisation, and the Firefighters' Pensions (England) Scheme Advisory Board (SAB) (Minutes 5882 and 5883 refer). The Board discussed the recommendations resulting from the surveys.

The first recommendation summarised in the report was that the Pension Board consider meeting more than twice per annum. However, the Board agreed with officers' comment that two meetings per annum was adequate considering the Board's programme of work. Another concern highlighted in the results of the surveys was that of continuity in membership. The Board agreed that its practice of rotating the chairship on an annual basis between Employer and Scheme Member representatives would effectively address the issue of maintaining experienced membership. Recommendations relating to knowledge and understanding had already addressed in the terms of reference. It was also recommended that the Pension Board submit an annual report to the Fire Authority, which, Members noted, was already standard practice for the Board. The recommended template would be taken into account for future annual reports.

Resolved - (a) That the report be received;

(b) that the Monitoring Officer's recommendations be approved, and

(c) that future annual reports take into account the template included in the recommendations accordingly.

6035 REPORTING BREACHES - The Senior Finance Officer (Contracts and Procurement) reported orally that there had been one reported breach since the previous meeting. West Yorkshire Pension Fund (WYPF) were unable to send out annual benefit statements relating to 60 members of the pension scheme (10.33 percent of members) prior to the statutory deadline. This was due to difficulties in updating the software associated with members of the Modified Pension Scheme. The annual benefits statements were dispatched in November 2018, and arrangements put in place to minimise the risk of another breach of this kind.

Resolved - That the update report be received.

6036 PENSION BOARD - WORKSTREAMS - The Executive Director Service Support/Section 151 Officer submitted a report setting out an update on the workstreams that had been agreed at the Pension Board in January 2016. The workstreams were designed to ensure that the Board operated in compliance with the Pension Regulator's Code of Practice for pension boards. The list of activities was not exhaustive, had evolved over the previous 18 months and would continue to do so. Appendix 1 of the report set out the workstreams proposed for the Pension Board and the workload aimed to meet the requirements of the Code of Practice for Pension Boards. Appendix 3 of the report detailed West Yorkshire Pension Fund's progress against a series of key performance indicators (KPIs). The Board noted that progress had, in most regards, been good.

The Board discussed training for Members and the Executive Director Service Support/Section 151 Officer agreed to arrange training prior to the Board's meeting in July 2019.

Resolved - (a) That the report be received, and
(b) that the Executive Director Service Support/Section 151 Officer arrange training for Board Members prior to the meeting due to be held in July 2019.

6037 FIREFIGHTERS' AGE DISCRIMINATION CASE RULING - The Executive Director Service Support/Section 151 Officer and the Monitoring Officer/Secretary reported verbally in relation to the Firefighters' Age Discrimination Case. This is a legal case relating to the transitional protection arrangements introduced with the Firefighters' Pension Scheme 2015, and whether they are discriminatory. The Court of Appeal handed down a Judgment on 20 December 2018, finding that the transitional protections were unlawfully discriminatory on grounds of age, and referred the case back to the Employment Tribunal to decide the remedies firefighters' are entitled to. The Government immediately applied to the Court of Appeal for permission to appeal to the Supreme Court. This application was rejected, and the Government is now seeking permission from The Supreme Court. It was expected to be many months before a final decision is reached. In the meantime, pension benefits will remain calculated as under the current regulations.

Resolved – That the report be received.

6038 PUBLIC SERVICE PENSIONS - THE EMPLOYER COST CAP - The Senior Finance Officer (Contracts and Procurement) addressed the Board in relation to the House of Commons Briefing Paper, Public Service Pensions - the Employer Cost Cap. In 2013, legislation was passed to provide a new framework for public service pension schemes. This marked the move away from final salary defined benefit pension schemes, towards career average defined benefit pension schemes. The legislation also introduced an "employer cost cap" to protect the taxpayer against unforeseen changes in pension scheme costs. The cost cap is designed to control changes in "member costs", brought about by changes in life expectancy, growth in salaries or career paths. The cost cap is set at 16.8% of active members' pensionable pay, with a 2% margin above and below the cap to allow for minor fluctuations. If employer contributions rise above 18.8% ("cost cap ceiling") or fall

below 14.8% (“cost cap floor”) of active members’ pensionable pay, action will be taken to bring costs back to a “target cost”. The most recent valuation showed that the cost cap floor of 14.8% has been breached. This means that “member costs” have become less expensive for employers, and that the cost has fallen to a level which is considered to be unfair to members. The Scheme Advisory Board will be consulted on how best to rebalance costs, the options being to amend scheme benefits for future accruals, or to amend the level of employee contributions. In the event that no agreement can be reached, the default action will be to amend the future accrual rate.

Resolved – That the report be received.

6039 PUBLIC SERVICE PENSIONS - EMPLOYER CONTRIBUTIONS - The Senior Finance Officer (Contracts and Procurement) addressed the Board in relation to the House of Commons Briefing Paper, Public Service Pensions - Employer Contributions. Public service pension schemes are unfunded, which means that contributions do not meet the full cost of pensions in payment. The shortfall is met by the Government. Unfunded schemes are subject to actuarial review every 4 years to ensure that the contributions are set at a level that accurately reflects the cost of future benefits payable. The cost of future benefits payable must be “discounted” (or reduced) to the amount that could be invested today in order to meet the payments in the future (“the discounted cost”). The Government developed the “SCAPE” rate to calculate the discounted cost. The higher the SCAPE rate, the lower the discounted cost, the lower the SCAPE rate, the higher the discounted cost. The Government announced reductions to the SCAPE rate in 2016 and 2018, and have announced a further reduction to take effect from April 2019. This means that the discounted cost will increase, and employer contribution rates must also increase to help meet the additional cost. The Government will support employers with any unforeseen costs arising as a result of changes to the SCAPE rate in the first year (2019/20). Beyond this, pending the Government’s spending review, additional costs will need to be accounted for in the Service’s budget.

Resolved - That the report be received.

6040 COMMUTATION FACTOR CHANGES - The Senior Finance Officer (Contracts and Procurement) addressed the Board in relation to the Government Actuary’s Department’s paper, Commutation on Retirement: Factors and Guidance, which concerned the Firefighters’ Pension Scheme (1992) (England and Wales). Members of the firefighters’ pension schemes have the option to give up (or commute) a proportion of their annual pension on retirement, and convert this to a lump sum. In the Firefighters’ Pension Scheme (1992), the lump sum is calculated by applying a factor to the amount commuted, based on the member’s age at retirement. Commutation factors are set by the Government Actuary’s Department, and are based on life expectancy. As average life expectancy has continued to increase, so has the length of time pensions will be in payment. This means that members who choose to give up part of their annual pension to receive a lump sum, are giving that portion of pension up for a longer period of time. Commutation Factors have therefore been increased in line with increasing life expectancy.

Resolved - That the report be received.

6041 SURVEY RESPONSE TO THE PENSIONS REGULATOR - The Executive Director Service Support/Section 151 Officer addressed the Board in relation to Humberside Fire and Rescue Services response to the Public Service Governance and Administration Survey circulated by the Pensions Regulator in 2018. The survey sought to gauge the quality of management of public service pension schemes. It was expected that feedback at a national level would be made available by the Pensions Regulator in 2019. The Board noted that Service had been able to answer positively to most questions in the survey.

Resolved - That the report be received.

6042 SURVEY RESPONSE TO THE SCHEME ADVISORY BOARD - FIREFIGHTER PENSION SCHEME ADMINISTRATION BENCHMARKING RETURN - The Senior Finance Officer (Contracts and Procurement) addressed the Board in relation to Humberside Fire and Rescue Service's response to the survey circulated by the Firefighters' Scheme Advisory Board. The second stage to this process would be a survey for members of the Firefighters' Pension Scheme (FPS) which was due to be circulated in the weeks following the meeting. This would assist the Scheme Advisory Board and fire services in understanding the costs of operating the FPS and the survey would be advertised on the Service's social media accounts and in internal and external publications.

6043 ILL HEALTH AND INJURY DETERMINATIONS AND THE ROLE OF THE INDEPENDENT QUALIFIED MEDICAL PRACTITIONER - The Director of Human Resources addressed the Board in relation to the establishment of an internal case review board as part of the process for considering applications for early ill-health retirement. The decision had been taken to establish the internal case review board to ensure that the Service considered the evidence in each case in depth prior to the Chief Fire Officer making a determination on each case. The internal case review board was co-chaired by the Deputy Chief Fire Officer and the Director of Human Resources. While there had not been many applications for early ill-health retirement in recent months, much had been learned from the most recent cases and the role played by the internal case review board had been agreed with the Fire Brigades Union (FBU). Both the FBU and the Service had concluded that this additional stage in the process provided assurance to all parties involved and would ensure that final decisions were correct and defensible.

The Director of Human Resources drew Members' attention to the High Court Judgement relating to the case of *Crudace v Northumbria Police Authority* and the Pensions Ombudsman's determination relating to a complaint against Barclays Bank enclosed with the agenda. In each case, rulings had been made against the original decisions to deny the complainants' applications for early ill-health retirement. In the case of Barclays Bank, the Ombudsman had determined that, while Barclays was not responsible for the acts of its medical advisers, it was required to understand the reasons for their opinions. The Ombudsman considered that the Bank had "blindly" accepted incomplete medical reports and cited the similar case of *Gallop v Newport City Council*. The establishment of the internal case review board would, therefore, minimise the risk of any such case being brought against the Service by ensuring that the process leading up to a decision by the Chief Fire Officer was robust and thorough.

Resolved - That the report be received.

6044 COMMITTEE WORKSTREAMS 2018/19 AND DRAFT ANNUAL REPORT TO HUMBERSIDE FIRE AUTHORITY - The Monitoring Officer/Secretary submitted the Board's draft Annual Report to Humberside Fire Authority. The Board discussed the report and agreed that it should be submitted to the Fire Authority at its annual general meeting due to be held on 3 June 2019 subject to the amendment of the Chairperson's name throughout the report, which should have read: 'Mr Brian Johnson'.

Resolved - That, subject to the above amendments, the draft Annual Report be submitted to Humberside Fire Authority at its meeting of 2 June 2019.

6045 ANY OTHER BUSINESS – There were no items.

Meeting closed at 11.10 a.m.