

FPS Bulletin 12 – September 2018

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

Looking for information on a certain topic? As we continue to cover more topics, 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](#).

Cost-effectiveness committee	3 October 2018
SAB	4 October 2018
Civica Fire & Police Technical meeting	11 October 2018
Midlands regional FPOG	26 October 2018
South East regional FPOG	2 November 2018
LGA Leadership Essentials Fire & Rescue (Elected members)	28-29 November 2018
Eastern regional FPOG	29 November 2018
SAB	5 December 2018
LGA Leadership Essentials Fire & Rescue (Elected members)	26-27 February 2019

FPS

FPS 2016 valuation

On 6 September 2018, Her Majesty's Treasury (HMT) published their draft Directions for the 2016 valuation for comment.

For the Firefighters' Pension Schemes in England this means:-

- **The firefighters'scheme in England is likely to breach the cost cap floor** (i.e. costs are likely to be more than 2% lower than the 16.8% of pensionable earnings cost cap set out in the 2015 firefighter scheme regulations). Under paragraph 3 of [rule 150A](#) of the scheme rules the Home Office must consult with the [Scheme Advisory Board](#) (SAB) on the action to be taken to bring the cost back within the target cost. If no agreement can be reached, the default mechanism is to amend the rate at which benefits accrue.

The SAB is well placed to engage in this consultation. The Board's [cost effectiveness committee](#) constructed from stakeholders across the sector and supported by the Board's independent actuarial advisor will be meeting with Home Office and GAD on 3 October 2018 to discuss the initial outcomes.

For clarity the cost cap mechanism is a measure of costs for the reformed schemes only, i.e. the 2015 scheme. Therefore the steps taken to improve benefits will be for members in employment in the 2015 scheme between April 2019 and March 2023. It will not affect deferred or pensioner members, or protected members of the 1992 or 2006 schemes.

- **There will be a significant increase in employer contribution rates from their current levels.** This is mainly due to the proposed further reduction in the SCAPE discount rate, from 2.8% to 2.4%. This further reduction, if confirmed, is expected to apply from 1 April 2019.

As present we do not know what the ‘significant’ increase is set to be; we expect to be clearer on this in the coming weeks.

This [technical bulletin](#) produced by GAD contains the links to all the relevant documents.

- [The written ministerial statement \(WMS\)](#)
- [Draft Directions](#)
- [Technical Annex to Directions](#)
- [The letter to TUC](#)

Board consultations and responses will be published [here](#) once they are available, and monthly updates will be provided in the bulletins.

[2018 amendment order – SI 2018/997](#)

The Police and Firefighters’ Pension (Amendment) Regulation 2018 [SI 2018/997](#) was laid on 13 September 2018. The government response to the consultation can be found [here](#).

A [technical note](#) has been published to confirm the details of the amendment order as it relates to the Firefighters Pension Schemes. FRAs and local pension boards should take the following action:

1. Ensure they are aware of the indexation to two pensions and that this is properly applied.
2. Ensure a policy is in place for exercising VSP and that firefighters are aware of how they would request the Fire Authority to pay any tax charge arising under the VSP policy.
3. Ensure that members in the 2006 scheme are communicated to, to let them know the scheme has been changed to remove the requirement to nominate. Consider whether as an authority / administrator nominations will still be encouraged as good practice, albeit not required under legislation.

Consolidated versions of all regulations amended by this order can be found [here](#).

[FPS benchmarking exercise](#)

One of the SAB’s key objectives is to ensure the cost-effectiveness and efficiency of the FPS, and to provide advice to scheme managers and local pension boards in relation to effective and efficient administration and management. As there is currently no basis for the comparison of service and cost within the administration of the schemes, in order to establish a benchmark, the Board undertook a [procurement exercise](#) for an organisation to undertake a benchmarking review.

The annual conference was an ideal opportunity for the project to be launched and we were pleased to announce then that Aon were the successful bidder.

Representatives from Aon first attended the meeting of the technical community on day 1 of the conference to engage with FRA and administrator stakeholders on the scope and range of the survey questions, which will be used to gather quantitative data from employers, administrators and members. Thanks to all those who participated in this meeting; the notes are available to view at [Appendix 1](#).

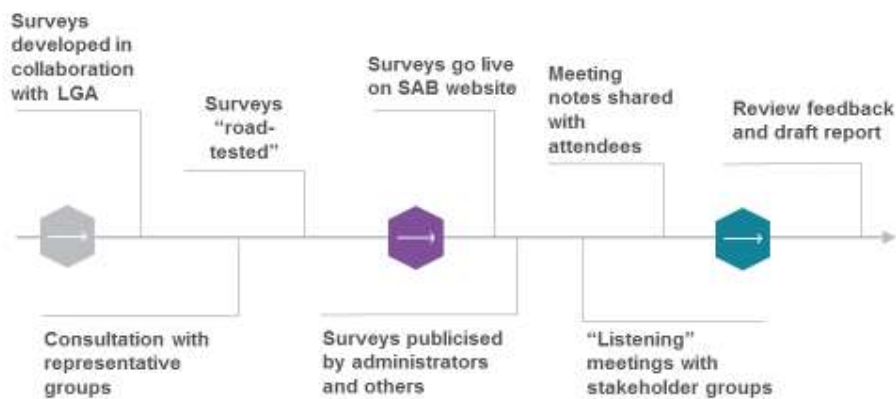


Alison Murray and Craig Payne of Aon, launching the benchmarking review at day 2 of the FPS AGM.

Day 2 saw the official launch of the exercise where Aon expressed their delight in being involved in the project as well as outlining the approach they will be taking to carry out the review. The audience of around 100 delegates had the opportunity to ask questions of the Aon team.

The LGA will now work closely with Aon, and the SAB's [administration and benchmarking committee](#), to finalise the survey questions before these are issued. A timeline for the project can be seen below. Updates on the progress of the project will be provided in the bulletins and we intend to set up a dedicated page on the FPS regulations and guidance website to hold notes of all meetings and any other related documentation. Please watch this space and take the opportunity to complete the surveys once they are ready for completion. This is a golden opportunity for your views to be heard.

The process



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ABS survey – action required

As detailed in [FPS Bulletin 11 – August 2018](#), a survey of the 2018 ABS process has been developed in collaboration with the SAB Local Pension Board effectiveness committee. A summary of last year's survey findings are available [here](#).

In an improvement to the 2017 survey, the committee approved funding for a short web-based questionnaire, which will allow more in-depth analysis of the process and support provided. We are now pleased to launch the [2018 survey](#) and would be grateful for your responses by **31 October 2018**.

The survey should be completed by FRAs, administrators, those involved with Local Pension Boards, and any other stakeholders with an interest in the ABS process. We welcome multiple replies from FRAs to enable us to build up a comprehensive picture of the current landscape.

September 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 September.

Other News and Updates

TPR – scheme return 2018-19

We are aware that the Pension Regulator (TPR) scheme return for 2018-19 has now been issued to scheme managers. [Information about completing and submitting a scheme return](#) can be found on the TPR website.

[Informal guidance on data scoring](#) for both common and scheme-specific data was provided with bulletin 11 in August.

TPR – new approach to workplace pensions regulation

On 17 September 2018 TPR launched a [new approach to workplace pensions regulation](#). The flexible new model accommodates DB, DC and PS schemes, as well as incorporating AE and master trusts. This new operating model directly affects the way TPR works and will be established over the next 12 – 18 months.

To date, TPR's approach has been to 'educate, enable, and enforce', which has worked well, though no longer accurately reflects how the TPR operates in an ever evolving political, economic and pensions landscape.

Through their [TPR Future Programme](#), they have completed a review of their entire approach to regulation and this year have started to implement a new regulatory model to drive up standards and tackle risk by engaging proactively with a larger proportion of the schemes and employers that they regulate.

Four key areas form the bedrock of TPR's new operating model, which will help them take forward the work they want to achieve and do it in the most effective way, these are:

1. **Setting clear expectations:** TPR will work with those they regulate to ensure that the standards they expect are clear and adopted. They will ensure that pension schemes and employers comply with clear, measurable standards.
2. **Identifying risk early:** TPR will prevent risks to members from increasing over time through prioritisation, monitoring, supervision and early proactive intervention.
3. **Driving compliance through supervision and enforcement:** TPR will use a wider range of regulatory interventions through a process of systematic and escalating interaction with those they regulate. They will test, measure and adapt the way we work to continue to drive behavioural change.
4. **Working with others:** TPR will work with their regulatory partners, stakeholders, advisers and intermediaries to deliver a comprehensive and consistent regulatory framework.

TPR's ['Making workplace pensions work'](#) publication guides users through their new way of operating and outlines the further changes that users can expect to see in the future. Key to the new approach is the introduction of a supervision regime to monitor schemes more closely, which will include higher and lower intensity interventions depending on the risks identified.

TPO – clearer signposting for dispute resolution

Please find attached a [joint statement](#) from the Department for Work and Pensions and The Pensions Regulator, outlining important developments that clarify the [signposting provisions](#) for referring to The Pensions Ombudsman (TPO) and The Pensions Advisory Service (TPAS).

You can find the corresponding [news story](#) on the TPO website, with links to helpful guidance on how to refer to TPO and TPAS.

HMRC

HMRC newsletters/bulletins

HMRC have published pension schemes newsletter 103 containing important updates and guidance on pension schemes. The following issues are covered:-

[Pension schemes newsletter 103 – 25 September 2018](#): Updating your scheme administrator details | Operating PAYE on pension payments | Master Trusts | Reporting of non-taxable death benefits | Relief at source | Annual allowance - pension savings statements for tax year 2017 to 2018 | Trust Registration Service |

Contracting-out reconciliation update

We have received the following statistics from HMRC which may be of interest to readers. Over 4500 schemes are going through the Scheme Reconciliation process:-

- Total number of schemes 4761
- Total Membership of those schemes 19.2m

- 3017 schemes now submitted queries with membership of those schemes totalling 18m

- Last month HMRC received 250,000 queries (both automated and clerical)
- Total queries now received by HMRC is 8.9m

- 1829 schemes are at reconciled status on HMRC databases
- 2932 schemes are still actively reconciling

As the October deadline for clerical submissions approaches, HMRC are seeing an influx of submissions by schemes who are both finalising their membership queries and/or who have been inactive for quite a while, so the numbers are increasing. However, the automated solutions are now dealing with an increasing number of queries and are running beyond the October date.

Training

Fire pensions annual conference 17-18 September 2018

We were delighted to welcome over 150 delegates from the fire pensions community to 18 Smith Square for our annual conference held on 17 and 18 September 2018. Attendees heard from a wide variety of industry professionals and government representatives across the two days. A detailed summary of the event including the full presentations from both days can be found [here](#).



A packed house for day 2 of the FPS AGM in Bevin Hall, 18 Smith Square.

To view the conference in pictures, visit our [@LGAWorkforce](#) twitter feed, #LGAfirepensions

Pensions tax support – action required

Last year the Scheme Advisory Board, in collaboration with the NPCC, provided a series of seminars delivered by Barnett Waddingham on pensions tax issues – the Annual Allowance, Lifetime Allowance and related matters. These were well attended with around 100 representatives from both Local Pension Boards and Fire HR, pension and finance delegates.

Authorities may feel it would now be helpful to arrange further briefing sessions for Board members and FRA representatives. This could include dedicated training for administrators on the practicalities of calculating tax liabilities and related processes.

We would be very grateful if you could let us know by 5 October any preference or requirements for pensions tax support this year, using the short pro-forma at [Appendix 2](#). Completed responses should be saved and returned to bluelight.pensions@local.gov.uk.

Legislation

SI	Reference Title
2018/987	The Financial Guidance and Claims Act 2018 (Commencement No. 1 and Transitional Provision) Regulations 2018
2018/997	The Police and Firefighters' Pensions (Amendment) Regulations 2018
2018/1003	The Financial Guidance and Claims Act 2018 (Commencement No. 2) Regulations 2018

Useful links

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

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