



LFC-24-066

LPB-070

LONDON FIRE BRIGADE

Local Pension Board Annual Report 2023/24

Report to:

Local Pension Board.....
Commissioner's Board.....
Deputy Mayor's Fire and Resilience Board.....
Audit Committee.....
London Fire Commissioner.....

Date:

11 June 2024
9 July 2024
23 July 2024
16 September 2024

Report by:

Clair Alcock, Independent Pension Board Chair.

Report classification:

For information

For publication

PART ONE

Non-confidential facts and advice to the decision-maker

Executive Summary

This Annual Report covers the activities of the LFC's Firefighters Pension Schemes Local Pension Board (the Board) for the year to 31 March 2024

Recommended decision

That the Board notes the report

1 Introduction and background

- 1.1 The Public Service Pensions Act 2013 (the Act) introduced a framework for the governance and administration of public service pension schemes, including those pension schemes for fire and rescue workers. The Act included the requirement for a Local Pension Board (LPB) to be established by each responsible Authority.
- 1.2 Following the abolition of the London Fire and Emergency Planning Authority and the establishment of the new governance structure, the London Fire Commissioner (LFC) approved the creation of a new Local Pension Board in 2018 in respect of the firefighter pension schemes, in accordance with the requirements of the Public Services Pensions Act 2013.
- 1.3 The purpose of the Board is to assist the LFC in its role as the Scheme Manager of the Firefighters' Pension Schemes: 1992, 2006 and 2015. Such assistance is to:
 - Secure compliance with the Schemes' regulations, any other legislation relating to the governance and administration of the Schemes, and requirements imposed by the Pensions Regulator in relation to the Schemes; and
 - Ensure the effective and efficient governance and administration of the Schemes.
- 1.4 The LFC is the Scheme Manager for the firefighters' pension schemes, which is a role defined by the Act. The management of some specific responsibilities for Stage 1 Internal Dispute Resolution Procedures (IDRP) and scheme discretions are delegated to the Assistant Director Finance and the Assistant Director People Services respectively, as set out in the Scheme of Governance. The management of the day-to-day responsibilities of the Scheme Manager are delegated to the Director of Corporate Services. This report serves to communicate to the LFC and the Deputy Mayor for Fire and Resilience the activities of the Board during the financial year 2022/23.

Constitution

- 1.5 A constitution for the Local Pension Board was approved by the LFC at the time that the Board was created and was reviewed and updated in 2019. This has been further reviewed and updated

by the LFC as required, including establishing the position of independent Chair for the Board.

Format of meetings

- 1.6 The Board holds four meetings per year in line with The Pensions Regulator's guidance.
- 1.7 Board members are required to declare any potential conflicts of interest to the Scheme Manager on appointment and at any such time as their circumstances change, in line with the Board's Conflicts of Interest Policy.
- 1.8 Board members are asked to inform the Scheme Manager of any reported breaches of the law.
- 1.9 Minutes are taken at all meetings.

Board membership

- 1.10 After accepting the recommendation from the TPR relationship supervision, the recruitment process for an independent board chair was successful and Clair Alcock was appointed to the board from 1 January 2024.
- 1.11 As set out in the constitution, there is an equal number of employer and employee representatives on the Board (four of each), with nominated substitute members who are able to act as Board members in the absence of one of the full members.
- 1.12 The Chair of the Board is appointed independently for a four-year term.

Training

- 1.13 The Pensions Regulator has published a Code of Practice for the governance and administration of public service pension schemes. This Code sets out the requirement for Board members to achieve and maintain knowledge and understanding sufficient to enable them to carry out the role of Board member.
- 1.14 There have been a number of training sessions delivered to the Board, including training/familiarisation presented by the London Fire Commissioner's pension administrator. Topics covered included pension increase and pensionable pay. Board Members were also given the opportunity to attend the annual LGA Fire Pensions Conference. In addition, the LGA organised several fire pension events during the year that the Board members were invited to attend. There is also online training available on the Pensions Regulator's website which members of the Board are encouraged to complete.

TPR Relationship Supervision - August 2022

- 1.15 Following the TPRs relationship supervision activity, there were a number of required actions, the below shows the activities taken to address these actions

Action	Progress Update	Expected completion date
Finalise and implement the draft Conflict of Interest policy.	In progress	June 2024
Implement Declaration of Interests forms and a central register where Pension Board members' interests can be recorded.	In progress	June 2024

Implement a risk management document, specifically for the scheme, setting out how scheme risks will be managed.	In progress, the chair has met with the LFB risk team	Ongoing
Add TPR's online Public Service toolkit to the training log which shows when Pension Board members have completed this.	In discovery	
Appoint a designated individual to take ownership and responsibility for the training policy and framework as referred to in the Pension Board's Terms of Reference	The independent chair has been appointed as the designated individual	Completed
Implement a training plan for the Pension Board following a skills matrix assessment and performance discussions with the Pension Board members.	In discovery	
Undertake effectiveness review of the Pension Board and annually thereafter.	In discovery	March 2025
Begin conversations on how diversity and inclusion can be incorporated into the Pension Board's composition and structure.	In progress	Ongoing
Finalise and implement the draft contributions policy.	In progress	June 2024
Implement a data improvement plan for data fails identified by LPPA.	In progress / To be included in boards data plan / workplan for next year	

2 Managing the Remedy

- 2.1** This section of the document outlines the challenges of implementing the remedying legislation (the Remedy) which has been the primary focus of the board for 2023/2024 and will continue to form the workplan going forward.
- 2.2** The implementation of the remedy and the processes arising from it, is a significant extra burden on London Fire Commissioner in its role as scheme manager, and the LFC's pension administrator LPPA.
- 2.3** These challenges can be summarised as:
1. Scheme specific legislation only available 2 months before the remedy period coming into force.
 2. Identifying and preparing historical data.
 3. A delay in tools provided by government for dealing with remedy.
 4. A lack of informed policy decisions by HM Treasury.
 5. Delays in providing retirement statements and payments.

Scheme specific legislation only available 2 months before the remedy period came into force.

- 2.4** There was 17 months between the Public Service Pensions and Judicial Offices Act 2022 being [introduced to the House of Lords](#) and the [Treasury Directions](#) being published in December 2022, which contributed to the Firefighters Pension legislation being [consulted](#) on in February 2023 and not being laid before Parliament until July 2023.
- 2.5** In February 2023 when the Home Office consulted on fire pension regulations, the policy for contribution adjustments was still not known.
- 2.6** The [final legislation](#) (The Fire Fighters' Pensions (Remediable Service) Regs 2023) was not available until summer 2023 and this cut short the discovery time for London Fire Brigade to build processes to provide data to their administrator LPPA, and for Civica, the pension administration software company, to update the pension administration system.

Identifying historical data

- 2.7** As the remedy rectifies a retrospective period, it is necessary to re-build records over that period, which involves the collection of data between 1 April 2015 to 31 March 2022.
- 2.8** As the data is historical in nature, this has been challenging to gather and ensure accuracy.
- 2.9** The data to be collected typically is described in two categories:
- a) Financial data – Details of members' service, pensionable pay history and service breaks.
 - b) Contributions data - The Firefighters pension scheme requires a contribution adjustment for the remedy period for every single member. This requires payroll to provide the data of contributions that were paid along with tax codes and other identifying information.

A delay in tools provided by government for dealing with remedy

Contributions adjustment

- 2.10** For Firefighters to return to the legacy scheme, the historical contributions need adjusting because:
- The 1992 pension contributions are higher than the 2015 pension contributions.
 - The 2006 pension contributions are lower than the 2015 pension contributions.
- 2.11** The lateness of policy confirming what those contributions adjustments would look like not only impacted the delivery of a central Government Actuary Department (GAD) calculator to calculate them, but also prevented essential discovery time in understanding how the LFC's payroll and administrator LPPA would work together to provide that information.
- 2.12** Initially, this impacted the ability of the LFC to provide the required data to the administrator, significant amounts of effort have now been made by LFB to provide this data.

HMRC digital service for the rectification of pension tax

- 2.13** . The current digital service built by HMRC to manage submissions to pay additional pension tax charges is difficult to use and carries the risk of Firefighters submitting incorrect information.
- 2.14** This service is currently 'shuttered' with no known date to be re-launched.
- 2.15** Without any adequate support provided through a digital solution there is a significant risk to reputational damage, increased costs to the LFC and increased claims for compensation from members who see no option other than to engage an accountant or independent financial adviser to assist them.

A lack of informed policy decisions by HMT, impacting the rollout of Immediate Choice Remediable Service Statements.

- 2.16** An emerging and technically complex issue came to light in January 2024 when HMT notified the public service pension schemes that HMRC had identified that the treasury directed interest payments on pension arrears and lump sums would be treated as unauthorised where the interest paid was over the commercial rate. This was a significant policy issue which had not been raised before.
- 2.17** This has had the effect of delaying the rollout of the immediate choice remedial statements and is still ongoing.
- 2.18** While HMRC have now confirmed that interest paid at 8% on authorised payments is authorised, interest paid on unauthorised payments remains unauthorised. This is significant for the Firefighters Pension Scheme because unauthorised payments are commonplace for retirements under the 1992 Firefighters Pension Schemes.
- 2.19** This has flagged up a further issue, in that HMRC had not allowed for the rectification of previously paid unauthorised amounts in their legislation or considered how the payment of new 'top-up' lump sums should be treated when an unauthorised amount has already been paid.
- 2.20** At the time of writing this report, this issue has still not been rectified and is impacting IC-RSS statements from being produced for members with unauthorised payments.

Delays in providing retirement statements and payments

- 2.21** From 1 October 2023, Firefighters who are retiring need to be provided with a choice of benefits in the remedy period for both the legacy scheme and the reformed scheme.
- 2.22** To provide this choice, the financial data and contributions data for the remedy period need to be available.
- 2.23** The pension board has been disappointed in reports of delays of providing retirement options and subsequent payments to Firefighters officers retiring after 30 years' service.

3 Additional board activity

- 3.1** Other areas which have been discussed at Board meetings include:
- Employer discretions under the firefighter pension schemes.
 - Ill Health retirements
 - Annual allowance and lifetime allowances
 - Communications
 - Breaches of the law
 - Pensions data
 - Risk register
 - Fire pension administration – both performance and future work plans
- 3.2** The Board also continued with two working groups to review and report to the Board, with findings and recommendations, on the following areas:
- A LPB Communications Working Group was set up with the aim to look at improving internal LFB communications on pensions to members, including communications on the pension remedy.
 - An Equalities Working Group was set up to help the Board better understand some of the underlying reasons why higher numbers of women and ethnic minority staff don't enrol and /or opt out of the firefighters' pension schemes. This group is working with LFB Equality Support Groups with the aim to obtain an improved understanding to assist

messaging to better communicate the benefits of the pension scheme to these groups.

4 Future workplan

4.1 The board are continuing to develop the workplan for 2024/2025, expected activity is in the following four areas:



ADMINISTRATION
STRATEGY



DASHBOARD
READINESS



DATA IMPROVEMENT
PLAN



MEMBER
COMMUNICATIONS

5 Objectives and expected outcomes

5.1 That the Board note this report

6 Equality comments

- 6.1 The LFC and the Deputy Mayor for Fire and Resilience are required to have due regard to the Public Sector Equality Duty (section 149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.
- 6.2 It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
- 6.3 The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), race (ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, and sexual orientation.
- 6.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:
- eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 6.5 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic.

- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
 - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 6.6** The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 6.7** Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- tackle prejudice
 - promote understanding.
- 6.8** An Equality Impact Assessment (EIA) found outline neutral impacts identified and steps taken to mitigate these.

7 Other considerations

Workforce comments

- 7.1** Staff side are represented on the Local Pension Board and so will have an opportunity to comment on this report at the LPB meeting on 11 June 2024.

Sustainability comments

- 7.2** This report does not produce any environmental or sustainability implications.

Procurement comments

- 7.3** There are no procurement implications for this report.

Communications comments

- 7.4** There are no communication implications for this report.

8 Financial comments

- 8.1** The cost to LFC of the Independent Chair is £15,000 per annum, and this is met from within existing Finance Department budgets.
- 8.2** The training of Board members is largely carried out in house at no direct cost, and national events such as the LGA conference have been free of charge so far as part of the LFC's subscription to the LGA. If Board members have to travel to attend training events this cost is contained within existing budgets.
- 8.3** The LFC continues to pay a levy to the Scheme Advisory Board (SAB) and this will cover the cost of the national fire pensions technical advisor posts and support the work of the SAB. The aim of the SAB in setting this levy is to help fire authorities to achieve cost savings by producing guidance and communications centrally for authorities to share. The cost to LFC in 2023/24 is £41,635.44, which is higher than the previous year and this has been provided for within existing budgets.

9 Legal comments

- 9.1** This report sets out the Annual Report covering the activities of the LFC's Firefighters Pension Schemes Local Pension Board (the Board) for the year to 31 March 2024 is for information only,

therefore no direct legal implications arise.

- 9.2** The Local Pension Board was established under the Firefighters Pension Scheme (Amendment) (Governance) Regulations 2015. The Public Service Pensions Act 2013 introduces the framework for the governance and administration of public service schemes and provides an extended regulatory oversight by the Pension Regulator.
- 9.3** The Pension Regulator's Code of Practice No. 14 (Governance and administration of public service pension schemes) was replaced by the new [General code of practice](#) established by [SI 2024/431](#) sets out the legal requirements for public service pension schemes as well as the standards of conduct and practice of the Local Pension Board. The information within this report is in accordance with the legislation and associated Code of Practice.

List of appendices

Appendix	Title	Open or confidential*
1	None	

Part two confidentiality

Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part Two form, together with the legal rationale for non-publication.

Is there a Part Two form: YES/NO*

Originating officer declaration

Reporting officer to confirm the following by using 'x' in the box:

Reporting officer

Clair Alcock has drafted this report and confirms the following:

1. Assistant Director/Head of Service

Adrian Bloomfield has reviewed the documentation and is satisfied for it to be referred to the Board for consideration

2. Advice

The Finance and Legal teams have commented on this proposal:

Yvette McEntee Legal Advisor, on behalf of General Counsel (Head of Law and Monitoring Officer).

Adrian Bloomfield Financial Advisor, on behalf of the Chief Finance Officer.