

Firefighters' Pension Scheme Advisory Board for Wales

3 February 2017, Newtown Fire Station, Newtown

Minutes

Members

Michael Prior (MP)	Independent Chair
Cllr Janice Dudley (JD)	Mid and West Wales Fire and Rescue Authority
Cllr Sylvia Jones (SJ)	South Wales Fire and Rescue Authority
Grant Mayos (GM)	Fire Brigades Union, Executive Council Member for Wales
Paul Scott (PS)	Fire Officers' Association

Officers in attendance

Mark Miles (MM)	Mid and West Wales Fire and Rescue Service
Phil Haynes (PH)	South Wales Fire and Rescue Service
Dawn Docx (DD)	North Wales Fire and Rescue Service

Others in Attendance

Clair Alcock (CA)	Local Government Association
Cerith Griffiths (CG)	Fire Brigades Union, Substitute for Sean Starbuck

Welsh Government Officials (Secretariat)

Kerry Citric (KC)	Fire Services Branch
Cerys Myers (CM)	Fire Services Branch
Natalie Spiller (NS)	Fire Services Branch

Apologies

Cllr Tudor Owen	North Wales Fire and Rescue Authority
Mick Crennell	Association of Principal Fire Officers
Sean Starbuck	Fire Brigades Union
Adrian Hughes	Retained Firefighters Union

AGENDA ITEM 1 – WELCOME AND INTRODUCTIONS

1.1 MP welcomed everyone to the meeting and extended a welcome to Clair Alcock, Local Government Association who was attending the meeting for the first time. MP also welcomed Cerith Griffiths, substituting for Sean Starbuck and Mark Miles, who was the officer in attendance for Mid and West Wales FRA following the retirement of Liz Aitken. MP noted that apologies had been received from Adrian Hughes, Cllr Tudor Owen, Mick Crennell and Sean Starbuck.

1.2 Members confirmed they had no conflicts of interest to declare.

AGENDA ITEM 2 – MINUTES FROM LAST MEETING

2.1 MP referred to the minutes of the previous meeting held on 3 October 2016 and invited members to agree the minutes for accuracy. No comments were made and the minutes were agreed as a true record.

2.2 MP referred to the matters arising from previous meetings and explained that an action point update had been provided with the minutes of the last meeting at FPSABW(Min)(16)02. Action points relating to Governance, Valuation and Employee Contribution Rates Yield would be covered by the agenda. MP advised the Board that updates from Sean Starbuck on *transitional arrangements*, *employee contribution rates yield* and *protected pension* would be deferred until the next meeting.

2.3 MP invited MM to provide an update on Norman v Cheshire. MM explained that Mid and West Wales FRA had completed the Internal Dispute Resolution Process and were awaiting a response. The response was anticipated by 9 February 2017.

2.4 CA advised that pensionable pay had been discussed at the annual Local Government Association Firefighters Pension Conference. The discussion highlighted that FRAs were at different stages in dealing with the matter. CA explained that the English SAB was considering commissioning legal advice on the application of pensionable pay. GM welcomed a consistent national approach. CA agreed to liaise with MM once a timeframe had been developed by the English SAB. MP added that decisions on pensionable pay were for the employing Fire and Rescue Authorities to make but the item would remain on the agenda until the matter had been resolved.

2.5 CA added that a presentation on protected pension age had also been provided at the conference. The Scottish SAB were intending to issue a circular on this issue and CA agreed to share it with the Board once it had been received.

2.6 PH explained that three South Wales FRA cases relating to protected pension age had been referred to the Pensions Ombudsman. PH added that although South Wales FRA had not provided advice on the issue at the time, information had been made available by the Fire Brigades Union. GM commented on the lack of circulars provided by the Welsh Government. KC indicated that tax related issues were not devolved, and therefore were not a matter that Welsh Government would advise on.

AGENDA ITEM 3 - UPDATE ON DISCUSSIONS AT ENGLISH SCHEME ADVISORY BOARD MEETINGS

3.1 MP suggested discussion on the role of the Board be deferred until after the update on the English SAB from CA. Agenda Items 3 and 4 were therefore reversed with the English SAB Update being taken at Agenda Item 3.

3.2 MP invited CA to provide an update on the English SAB. CA advised that the SAB consisted of seven employer representatives (Councillors), seven employee representatives (including FBU x 4, FOA x 1, RFU x 1 and APFO x 1) plus the Chair. CA explained that Home Office had observer status on the Board and regularly attended the meetings. Formal advisers were invited to attend board meetings as required.

3.3 CA explained that one of the main challenges faced by the English SAB was consistency across the 44 FRAs in England. In order to overcome this challenge, a budget of £136,000 had been allocated to the English SAB which included provision for a communications officer and advice on legal and actuarial matters. The communications officer would be responsible for providing central communications, including generic guidance and templates. The budget was based on a levy of £4.05 per active Firefighter Pension Scheme member, levied on fire and rescue authorities.

3.4 In addition, the English SAB had formed a number of sub committees to consider cost effectiveness; bench marking / best practice; and training requirements. In relation to the training requirements, CA informed the group that costs had been sought from training providers to deliver training on pension tax allowance issues following changes made in April 2016. CA said the invitation to attend the training could be extended to members of the Welsh SAB once arrangements had been finalised.

3.5 DD queried the process of cascading information from the English SAB to the FRAs in England. CA advised that an update from the English SAB was provided at the local pension board meetings. The minutes of those meetings were available on the local pension board forum. CA added that the communication structure needed to be formalised and this would be taken forward by the communications officer. CA added that consideration would be given to regionalisation as there are 30 different scheme administrators for the fire pension schemes in England.

AGENDA ITEM 4 – GOVERNANCE

4.1 MP invited members to review the terms of reference as they had not formally been agreed at the last meeting. Members confirmed that they were content with the terms of reference.

4.2 MP indicated that, at the last meeting, there had been some discussion regarding whether the Board wished to establish a budget. It had been agreed to defer the discussion until the funding position for the English SAB had been explored. Claire Alcock had kindly provided details of the English SAB funding. The Board had a budget of £136k based on a levy on FRAs of £4.05 per active firefighter. MP indicated that a draft budget based on this model would equate to contributions of around £1,900 from North Wales FRA, and £4,500 from Mid and West FRA and £8,200 from South Wales FRA. The contributions would provide the Board with an overall budget of £14,600. KC added that a budget of this size would provide limited benefit particularly in terms of actuarial advice and as an example, advised the

Board that the Pension Contributions Holiday Calculator provided by GAD had cost £7,000.

4.3 DD explained that she had initially felt apprehensive about the model of the English SAB however the update provided by CA had alleviated those concerns. DD added that she now recognised the value of the work streams and the benefits of collaborative working. KC suggested a possible solution could be to “buy in” to the budget of the English SAB.

4.4 Cllr JD said that training members was important and asked CA how this would work in practice. CA suggested that consideration could be given to increase the budget of the English SAB so that guidance, templates and training could be shared with the Welsh SAB. CA suggested discussing the matter further with Malcolm Eastwood (Chair of the English SAB) and KC in order to provide an update at the next meeting. The Board agreed the principle of having a budget with each FRA providing a proportion of contributions but would discuss in more detail once the financial implications are known.

AGENDA ITEM 5 – VALUATION

Employee Contribution Rates Yield

5.1 KC reminded the Board of the Employee Yield paper provided at the last meeting which detailed the employee contribution rate yield for 2015-16. The contribution yield for 2015-16 was 13.1%, in line with GAD yield estimates for that period. Members had raised concerns about whether the assumptions used in the 2012 Valuation reports were consistent with actual scheme member movements. It was felt that the level of retired/retiring members from the 1992 scheme, coupled with potential opt outs from the 2015 scheme, and lower contribution rates would all impact on the yield. Welsh Government had agreed to review the existing GAD valuation information and share with Board Members.

5.2 KC advised that GAD had since provided details about the data and methodology used to confirm the average employee contribution yield. The information which had been circulated to members showed that the overall employee contribution yield assumption of 13.2% for the valuation period was broken down annually and assumed a 13.1% yield in 2015/16 and 2016/17 increasing to 13.2% in 2017.

5.3 This was in line with the 13.1% actual yield for 15-16 that had been presented at the last meeting. GAD had indicated that undertaking additional work to review actuals against the assumptions at this stage would be a waste of resource as revised information would become available in September as part of the 2016 valuation.

5.4 MP referred to previous concerns about maintaining the yield, given that members of the 1992 Scheme were the primary funding stream. MP reiterated that GAD had considered this as part of the initial valuation.

Opt Out Data

5.5 CM referred to FPSABW(17) 01 which provided members with an overview of scheme member movements from 2013-2017. The data had been based on a compilation of opt out data returns and returns from the pension top up as submitted by the FRAs. CM advised that a few errors had been detected and so the figures differed slightly to those that had been circulated. CM clarified that 2016-17 actual data showed 1.39% opt out rate for whole time firefighters and 3.17% for Retained Duty System firefighters in the 2015 scheme, with an overall rate of 1.33%. The data return for period 2013/14 was particularly high due to the auto enrolment.

5.6 PH indicated that the membership figures which had been taken from South Wales FRAs FPF1 data return seemed particularly high and committed to review the information submitted to Welsh Government. CM agreed to delay the circulation of an amended paper until clarification on the figures had been received.

5.7 GM said that the FBU had advised members not to opt out of the schemes and commented on the high number of retained firefighters who had opted out.

Valuation

5.8 PS referred to movement data available for the Scottish Firefighter Pension Schemes, which included a breakdown by pay bracket, sex and age. KC confirmed that the Welsh Government captured the same data and could provide a further breakdown if the board felt it necessary.

5.9 KC referred to the 2016 valuation and explained that GAD would produce the first set of draft assumptions in September. KC explained that this would be a key stage for the Board as members would need to consider the assumptions and provide views to the Welsh Government. These assumptions would then form the basis of the full valuation, following approval from HM Treasury. A meeting would be scheduled for September/October time once a date for receipt of the data had been received from GAD. The final valuation data would be submitted by April 2018 and this is when decisions would potentially need to be discussed regarding any changes needed to contribution rates or scheme adjustments.

5.10 PH referred to the upcoming Annual General Meetings which would take place in June and raised concerns about the change in Board membership following local government elections. MP noted the concerns and acknowledged the importance of each Fire and Rescue Authority being represented on the Board. MP suggested a training session could be arranged and this would be picked up under any other business. CA mentioned that one of the sub committees of the English SAB would be looking at the cost effectiveness of the English schemes taking account of the valuation outcomes. CA said that Glyn Morgan (FOA) was a member of the committee but welcomed representation from the Welsh SAB. The committee would aim to meet in February.

5.11 KC advised that Welsh Government officials would be involved in a cluster meeting with scheme representatives, HM Treasury and GAD on 6th February.

5.12 PH raised concerns about the impact of wider strategic decisions on continued active membership of the 2015 scheme that GAD could not have made assumptions around e.g. potential reduction in firefighter numbers because of public spending cuts, and reform of FRA governance and finance. KC confirmed reform proposals would focus on governance and funding mechanisms and would not look at front line services. The National Framework also made clear that the focus in Wales was on diversification rather than reducing frontline posts although this was ultimately a matter for FRAs. PH referred to the impact of more favourable commutation factors in Wales and highlighted that temporary promotions under 2015 regulations were not pensionable. MP advised that all these concerns would feed into 2016 valuation.

AGENDA ITEM 6 – PENSION REGULATOR

6.1 MP introduced the item and referred to the level of governance and administration of the firefighter pension schemes. The Pension Regulator had published its second report in December 2015 based on information from a survey undertaken in the summer of 2015. A further survey was now underway and the three FRAs confirmed that they had participated. CA added that the survey response rate had been a lot higher this year in comparison to the survey undertaken in 2015 but the results were not yet known.

6.2 MP referred to the self assessment tool available to assist Scheme Managers to regulate pension schemes. MP continued that the Pension Regulator was considering its approach to the future regulation of public pension schemes and whether wider regulatory activity would be of benefit.

6.3 MM confirmed that Mid and West Wales FRA had used the tool and as a result had identified three areas where action was required to improve their pension governance and administration processes.

6.4 PH informed the Board that the tool would be discussed at the Local Pension Board meeting scheduled to take place in February.

6.5 PH added that South Wales FRA had previously breached requirements, by not issuing the 2016 Annual Pension Benefit Statements within the required timeframe. CA said that the English SAB had highlighted concerns about the lack of time to quality assure the Annual Benefit Statements prior to them being issued. There were also issues with the software and payroll systems. The Pension Regulator had been informed and was happy to accept. CA added that the Pension Regulator had indicated data quality, internal controls and reporting breaches as the three key risks. The English SAB sub committee were considering developing a dashboard which could be used to alert schemes.

6.6 MP asked the Board to note the approach from the Pension Regulator and encouraged FRAs to continue to use the self assessment tool to support compliance with the regulators requirements.

AGENDA ITEM 7 – UPDATES FROM LOCAL PENSION BOARDS (INCLUDING GENERIC LEARNING)

7.1 MP referred to the previous meeting where FRA representatives had agreed to discuss a joint approach to submitting updates to the Board. PH explained that the three FRA's differed in their approach and asked whether a template could be made available. KC advised that it was for the Board to consider the type of information they would like to receive from the local pension boards. KC suggested that the agenda item could be used as an opportunity to raise specific issues of concern for SAB to consider or to gain experience from other FRAs, as well as to share good practice.

7.2 DD felt that the item had been placed on the agenda by the FRAs and so the FRAs should agree on the format.

7.3 MM said that Mid and West Wales FRA had undertaken a review against the code of practice 14 and an update had been provided to the local pension board. The review had highlighted areas to consider for improvement. MM would share the findings with the Board. CA suggested that the findings could feed into the deliberations of the English SAB sub committee to ascertain best practice.

AGENDA ITEM 8 – FIREFIGHTERS' PENSION SCHEME AMENDMENTS

8.1 KC introduced the item and took each of the points in turn.

Age Discrimination (Pension Contributions Holiday)

8.2 KC explained that the Firefighters' Pension (Wales) Scheme (Amendment and Transitional Provisions) Order 2016 had been laid in November and came into force on 31 December 2016. The reimbursement of payments would be made through additional top-up grant payments. The Welsh Government had started to prepare the grant offer letters and would issue these to FRAs imminently. The majority of payments would need to be made to affected scheme members by 31 March 2017.

8.3 PH notified the Board that South Wales FRA had identified 90 potential cases. PH added that the FRA had experienced some issues in relation to deceased members, members who had additional income from other sources and tax / surcharge implications. CA advised that a surcharge would occur if the unauthorised payment totalled more than 25% of the member's reimbursement cost. It was noted that costs for North and South Wales FRAs would be submitted to Welsh Government shortly.

8.4 MM confirmed that Mid and West Wales FRA had identified 42 cases. The authority had provided the Welsh Government with the costs for 31 of the cases. The remaining 11 cases had been submitted to GAD to undertake bespoke calculations, 6 of which were in relation to surcharges.

8.5 KC advised that the Welsh Government funding related to financial year 2016/17 and the funds would need to be released before 31 March 2017.

8.6 KC acknowledged that the FRAs had been provided with an initial template letter to use to contact affected members but confirmed that a template 'follow up' letter would not be provided.

Amendments to the 1992, 2007 and 2015 Scheme Regulations

8.7 KC reminded members that the Welsh Government had chosen to delay the consultation until Home Office had analysed their consultation feedback and finalised amendments. The Welsh Government had since received a draft version of the revised English orders and would consult on the amendments as soon as the English orders were laid. It was anticipated that this would take place at the end of February.

8.8 KC advised that the Welsh Government had been in discussion with Home Office and the other administrations regarding a further issue in relation to Club Transfers where the 2015 scheme transitional and consequential arrangements (and the equivalent transitional arrangements schemes in England Scotland and Northern Ireland) only allowed for cross border transfers of final salary benefits into the 2007 NFPS (not 1992 to 1992). It was likely that an amendment would be required to the regulations to correct this.

AGENDA ITEM 9 – HM TREASURY UPDATE

9.1 KC provided a short update on non devolved items for the information of the Board.

9.2 KC explained that HM Treasury had published a consultation on how best to treat the Guaranteed Minimum Pension (GMP) of affected members of public service pension schemes reaching State Pension Age after December 2018. The consultation had been circulated to Scheme Managers and would close on 20 February.

9.3 At the last meeting, KC referred to the working group that HM Treasury had established to consider the historical under/over payments in relation to the GMP reconciliation exercise. KC advised that HM Treasury had not yet made a decision on the treatment of under/over payments.

9.4 KC informed the Board that HM Treasury were undertaking exploratory work to create a Pensions Dashboard which would allow individuals to view all of their pension information. HM Treasury had indicated that a roll out of the prototype would take place in 2019. CA said that the aim of the Dashboard was to provide a central platform for individuals to access their pension information however it would need to have robust data and quality controls in place.

9.5 KC reported that HM Treasury had asked schemes to commission GAD to undertake an exercise to review employer cost cap figures to look at the impact of the Budget 2016 SCAPE discount rate change, from 3% to 2.8%. GAD were in

discussion with HM Treasury about how to manage the process. It was unclear whether the review would result in any proposed amendments.

AGENDA ITEM 10 - ANY OTHER BUSINESS AND DATE OF NEXT MEETING

10.1 MP thanked members for attending and thanked CA for her contribution to the meeting.

10.2 MP reiterated that the next meeting would be arranged to take place in the autumn following receipt of the GAD draft assumptions paper. MP noted the importance of all members attending the next meeting and asked for members views on the location of the next and future meetings. GM indicated that the FBU would prefer the meetings to be held in a more central location such as Cardiff. The remainder of the Board were content to continue to travel to Llandrindod Wells.

10.3 MP referred to the earlier discussion about potential changes in membership and sought members' views to hold a training event in July. PH suggested that training should not be restricted to board members but should also include administrators. MP referred to the training session provided to members which had been delivered by CA. CA confirmed that she was happy to deliver an additional training session. The Board agreed with this approach and were content for the training to take place in Llandrindod Wells.

10.4 MP indicated that he wanted to engage with each of the local pension boards and would welcome an invitation to attend a future meeting of each of the three once new membership arrangements had been resolved, following the Local Government elections.