

Firefighters' Pension Scheme Advisory Board for Wales

01 July 2015, Mid and West Wales Fire and Rescue Service, Llandrindod Wells

Minutes

Members

Michael Prior (MP)	Independent Chair
Cllr Tudor Owen (TO)	North Wales Fire and Rescue Authority
Cllr Wynne Evans (WE)	Mid and West Wales Fire and Rescue Authority
Cllr Sylvia Jones (SJ)	South Wales Fire and Rescue Authority
Adrian Hughes (AH)	Retained Firefighters Union
Paul Scott (PS)	Fire Officers' Association
Huw Jakeway (HJ)	Association of Principal Firefighter Officers
Cerith Griffiths (CG)	Fire Brigades Union
Grant Mayos (GM)	Fire Brigades Union, Executive Council Member for Wales

Apologies

Sean Starbuck (SS)	Fire Brigades Union
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Officers in attendance

Dawn Docx (DD)	North Wales Fire and Rescue Service (NWFRS)
Liz Aitken (LA)	Mid and West Wales Fire and Rescue Service (M&WWFRS)
Phil Haynes (PH)	South Wales Fire and Rescue Service (SWFRS)

Welsh Government Officials (Secretariat)

Helen Griffiths (HG)	Fire Services Branch
Cerys Myers (CM)	Fire Services Branch

Agenda Item 1 – Welcome and Introductions

1. MP welcomed everyone to the first meeting of the Board and explained the Firefighters Pension Schemes are the only pension schemes devolved to Welsh Government. MP explained he had been appointed by the Minister for Public Services to undertake the role of the Independent Chair of the Board and was looking forward to the role. Recognition was given to the officers in attendance, in order to assist members of the Fire and Rescue Authorities.

Agenda Item 2 – Firefighters' Pension Scheme (Wales) Regulations 2015

2. HG introduced FPSABW (15) 01. Following three consultations during 2014-15, the Firefighters' Pension Scheme (Wales) Regulations 2015 were introduced on 1 April 2015. There are now three principle firefighter pension schemes i.e. the 1992 Scheme, the 2007 Scheme and the 2015 Scheme. This will remain the case until 31 March 2022 when all protected members rights will end (Transitional protection is based on age as at 31 March 2012, all other active members will automatically

transfer into the 2015 Scheme). HG detailed some of the key design elements of the Firefighters Pension Scheme (Wales) 2015, including a Normal Pension Age of 60 and is career average revalued earnings (CARE) not a final salary pension scheme. Following consideration of the consultation responses, the Welsh Scheme was designed on the basis of active early retirement factors with an accrual rate of 1/61.4th of pensionable earnings for each year of service. This compares to an accrual rate of 1/59.7th for the Scheme introduced in England which is based on deferred early retirement factors. All remaining elements of the Schemes are identical. The cost of the active early retirement factors and the revised accrual rate were verified by the Government Actuary's Department (GAD) to ensure the Scheme fits within the cost cap set by HM Treasury.

3. HG went onto explain that Welsh Ministers have responsibility for the actuarial guidance for the 2015 Scheme factors after consultation with the Scheme Actuary, who are the GAD. The Welsh Government has issued a number of circulars to provide guidance in relation to the actuarial factors to be used for the new Scheme and will fund and facilitate, through GAD, the valuations of the scheme going forward. In addition, Welsh Ministers are responsible for providing FRAs with top up funding for the Schemes, through HM Treasury funding.

4. The Welsh Government facilitated a training event specifically on the Welsh Scheme for administrators of the Scheme on 22 June 2015, which was well received. The event was delivered by Clair Alcock, Local Government Association. PH commented on the usefulness of the training and its value to the three Fire and Rescue Services. PH queried whether there was the opportunity to have an equivalent contact in Wales. HG advised that there was no capacity from a central government perspective to cover this role and as the Welsh FRAs were paying a subscription for the work Clair is undertaking then the FRAs would need to consider whether another role would be useful. DD agreed. MP recognised that entering a new pension scheme will involve many new arrangements, some complicated, which members will need to understand. MP questioned whether a similar presentation could be presented to the Board. PH stated that he intends to share the presentation slides provided from the training event to Board level within the SWFRS.

ACTION: PH to share presentation slides. Welsh Government to investigate whether specific Wales training could be provided to the Board.

5. HG explained that Clair has completed a guide for scheme members in England. The Welsh Government will liaise with Clair to produce an adapted version for Wales and for a translated version of the guide to also be produced.

6. GM asked whether an online calculator would be made available for Welsh members. HG advised that the online calculator would only provide members with an estimated figure as it would not take into account many of the factors which would affect the outcome. It was therefore concluded that individuals should be advised to contact their pension administrators to obtain a more accurate figure. LA informed the Board that an online calculator is available for members of the Local Government Pension Scheme. HG added that the Department for Communities and Local Government had produced the online calculator for the Firefighters' Pension Scheme

in England, but inevitably would not take into account the design of the Welsh scheme in terms of early retirement factors and accrual rate. To introduce a calculator for the Welsh Scheme, the Welsh Government would need to request GAD to produce one for Wales at a cost. PS said that members had become reliant on using the online calculator as it has been the only available source in recent years, however if a guide for members was produced this would address a number of concerns.

ACTION: Welsh Government to investigate the costs of producing an online calculator for the Welsh Scheme.

ACTION: Welsh Government to arrange for the members guide to be drafted for the Welsh Scheme as soon as possible.

7. In terms of the employee contribution rates, HG explained that new rates and tiers had been set for the 2015 Scheme. As part of the reform of public service pensions, there was a HM Treasury requirement that the employee contributions rates across all the firefighters' pension schemes (1992, 2007 & 2015) would average 13.2%. Whether this yield is met is very much dependent on future workforce / pensionable pay up to 2019. The Board will be required to assess whether this yield is meeting the average year on year. If it appears the yield will not meet the 13.2% then the employee contribution rates will need to be adjusted accordingly. HG commented that the calculations for this would need to be undertaken by GAD based on available data.

ACTION: Welsh Government to obtain a timetable from GAD for when the yields can be assessed and circulate to the Board.

8. LA raised concern as the 2012 valuation report assumed a number of retirements would take place which was not the case. HJ queried whether this would involve an annual adjustment to employee rates or when the 2016 data valuation becomes available. PH added that early indication of when the activity would take place would be welcomed in order for the finance teams to incorporate into budget plans for the year ahead. As the employee rates are set out in the Regulations, any changes to those rates would involve consultation and so there would be a lead in time for any changes to the rates to be made.

ACTION: Welsh Government to look into this area and provide further explanation to the Board at the next meeting.

Agenda Item 3 – Draft Terms of Reference for the Firefighters' Pension Scheme Advisory Board for Wales

9. MP introduced FPSABW (15) 02 and explained that governance arrangements were now required for all public service pension schemes. In the case of the Firefighters' Pension Schemes, this involves the establishment of a Local Pension Board by the individual Fire and Rescue Authority, as scheme managers, and the establishment of the Firefighters' Pension Scheme Advisory Board for Wales. The three FRS's confirmed that they had established each of their Local Pension Boards. NWFRS had held their first meeting, SWFRS and MWWFRS' first

meetings would take place imminently. It was noted that members of the Firefighters' Pension Scheme Advisory Board had been appointed by the Minister for Public Services. PH noted there were two FBU representatives present and asked why this was the case. GM explained that the General Secretary, Matt Wrack, had written to the Minister to request four seats on the Board as they considered they represent the vast majority of the workforce. The Minister declined the request but alternatively offered two seats. AH confirmed that RFU were content to have only one seat on the Board.

10. PH raised some concerns that this decision could have an impact on the membership of the Local Pension Boards. HG advised that under the regulations, it was essential to have an equal number of persons appointed to represent employees and employers on the Local Pension Board, whereas it is desirable to have equal representation on the Scheme Advisory Board. However, the Welsh Government would consider whether the imbalance would create any problems in terms of recommendations from the Board and would report back at the next meeting. The Terms of Reference will need to be amended to reflect the membership details. PH queried the conflict of interest section as some of the Board members were recipients of the various Pension Schemes. HG confirmed this was not a conflict of interest. PH suggested the paragraph to be strengthened to state that members should provide an indication of any conflict of interest as soon as it arises. Board members were content to formally endorse the Terms of Reference providing the changes referenced are made.

ACTION: Welsh Government to consider whether the current membership creates an imbalance for the group and to advise for next meeting and to update Terms of Reference.

Agenda Item 5 – Role of the Pension Regulator

11. Agenda item 5 was brought forward. HG explained that the Public Services Pension Act 2013 extended the Pensions Regulators requirements to public service schemes including the Firefighters' Pension Schemes. The Pension Regulator issued a generic code of practice in April 2015. HG recognised there had been some issues in registering the scheme but these have since been resolved. HG informed the Board that Robert Plumb, the Pension Regulator, had attended one of the shadow board meetings to provide a presentation on the regulation of public service pension schemes and suggested inviting him to a meeting of the Board, if members were to find it useful. WE asked if there would be a cost attached to his attendance. HG confirmed there would not be a cost. DD agreed this would be beneficial at a future meeting providing the information required was worthwhile.

12. MP added that the Pension Regulator focus was on compliance and ensuring the governance and administration of the scheme was right, including the knowledge and understanding of its trustees. PH expressed concern about the turnover of Local Authority members. PH spoke of the presentation delivered by Robert Plumb and agreed it would be beneficial to have something similar again but stated that it may have an adverse affect on members of the Board by the level of information which they will need to understand. WE suggested members may benefit from training events which were being delivered by the Wales Audit Office. MP referred

the Board to the bite size courses available on the Pension Regulator website. PH said SWFRS were delivering courses for their local members which involve completing a number of modules at a staged process. PH offered to host any training developed for the Board. MP concluded that building knowledge will ultimately help with the running of the scheme.

ACTION: Welsh Government to circulate link to the Pension Regulator bite size courses.

ACTION: PH to circulate details of the courses being delivered by SWFRS.

ACTION: Welsh Government to check with the Pension Regulator on the possibility of attendance at a future meeting of the Board.

Agenda Item 4 – Firefighters’ Pension Schemes (Wales) Actuarial Valuation Report as at 31 March 2012

13. MP invited HG to provide a summary of FPSABW(15) 03 and the associated reports. HG explained that the details provided within the Actuarial Valuation Report are as at 31 March 2012. The report provides both the employer contribution rates for the scheme and the employer cost cap. The next valuation as at 31 March 2016 will inform the contribution rates across the schemes from 01 April 2019. As this was the first valuation undertaken, the 2012 Valuation Report will be used as a baseline. The outcome of the 2012 valuation was only published on 6 March 2015 with the new rates applying from 1 April 2015. HG said that the next valuation would commence in March 2016 and the Welsh Government would obtain an estimate from GAD as to when the outcome will be available for FRAs.

ACTION: Welsh Government to investigate when the results of the 2016 valuation will be available.

14. HG informed the Board that GAD will be undertaking a Prior Value of Cost Cap Fund Report, based on the Schemes’ liabilities for members who are active as at 31 March 2015. Data Specifications will be drawn up shortly with a view to seek information from FRA’s during August. A final report is expected by October 2015 and this will feed into the 2016 Actuarial Valuation Report.

15. PH commented on para 1.5 of the Advice on Assumptions report in relation to the large reduction in assumed ill-health retirements and the reduction in the assumed proportion of pensioners who have a spouse or other qualifying dependent entitled to a pension after their death. PH was concerned that there will be an increase in some areas due to a wide range of factors. PH continued that some members have been married several times which complicates matters. GM agreed that these two assumptions are unsafe and will need to be monitored closely. MP advised that individual Local Pension Boards would need to provide the relevant information in order for the Board to monitor any changes.

16. PH then referred to para 9.13 of the report which related to the level of promotional pay increases. Due to the pension scheme being CARE-based, PH felt that individuals will seek early promotion to compensate for the move to the CARE

basis. PH suggested that this was another aspect which needs to be monitored. MP asked if the FRS' have made members aware of the new CARE arrangements. PH stated that the individual scheme administrators, should do so. MP suggested the matter be included in any induction provided to individual members of the Scheme.

17. LA reiterated the implications for M&WWFRS. The majority of individuals were members of the 1992 and 2007 pension schemes and were therefore on higher rates. As the budget had been set prior to receiving the assumptions report, it had caused many problems. It is expected that this basis will apply for the next three years.

18. DD said that NWFRS will need to consider the impact on their authority.

Agenda Item 6 – Any Other Business

19. A number of areas were covered within this agenda item. HG provided an update on the Milne v GAD Pensions Ombudsman's decision. The case was in relation to a Scottish Firefighter who had received an incorrect pension lump sum as the commutation factors, based on GAD guidelines, were incorrect. The Pensions Ombudsman has issued its determination and upheld the finding of maladministration against GAD. The Welsh Government has sought initial views from the three FRSs to ascertain the number of retired firefighters affected. WE asked if the budget will be affected by the outcome of this case. GM said that employers should not be expected to foot the bill. HG advised that the Welsh Government is currently discussing the implications of the case with HM Treasury. HG advised the Board that the Welsh Government will provide an update to FRS's as soon as possible.

20. HG referred to the Opt Out Data which the Welsh Government has been collecting from the three FRA's since April 2012. The data provides a snap shot of the numbers and reasons why people leave the Pension Schemes. HG asked members views on the continuation of the data collection which could be presented to the Board. AH said that Retained Firefighters lead separate lives and therefore may have their own pension schemes. New Firefighters will automatically enrol to the 2015 Scheme unless they choose to opt out. PH said the increase in Cash Equivalent Transfer Values could affect the number of opt outs. GM said that the FBU are advising members not to leave the pension scheme as they will not be able to re-enter the scheme at a later date. DD agreed that the data collection would be useful particularly if undertaken for another three year period. PH asked whether the same data collection is being undertaken by other Public Service Schemes and suggested it could provide an indication of how the Firefighters' Pension Schemes funding and viability compares.

ACTION: Welsh Government to liaise with other Public Service Scheme officials and report findings back to the Scheme Advisory Board.

21. HG explained that during the introduction of the Scheme Regulations, a number of drafting inconsistencies were found within the details which had been picked up through the translation process. These amendments are very minor and

they do not affect the context of the Regulations and therefore there is no requirement to consult on the changes.

22. In relation to amendments to the previous pension Schemes, HG explained that there was still an outstanding issue to be addressed in terms of the 1992 Scheme where in 2011, the Welsh Government consulted on a number of amendments to the scheme including the introduction of a contributions holiday for firefighters who at 48 years and completed 30 years service would not have to pay in further contributions. This resulted in a number of legal issues to be addressed which remains unresolved and the Welsh Government will provide an update when available. PH said that SWFRS had experienced a claim in relation to the holiday contributions option which had been referred to the Pensions Ombudsman, who had in turn determined not to proceed pending the resolution of the court case. Many Firefighters' have queried when it will be resolved and who will be responsible to pay.

ACTION: Welsh Government to provide an update as soon as possible.

23. HG then commented about the Retained Duty System (RDS) Modified Pension Scheme and acknowledged the burden being placed on FRS's this financial year in dealing with the introduction of the new scheme and the need to refer back a number of years for this scheme. LA asked if the Welsh Government will be covering the cost. HG explained that the costs would be funded through the Firefighters' Pension Fund, topped up by the Welsh Government. HG however, would seek clarity on the costs associated with past service as the scheme goes back to 2000. GM said that the FBU were receiving many queries from RDS Members. PH said that SWFRA hope to clarify those eligible during August. DD spoke about the capacity of the FRS's and the expectation of members and stated that it was also her understanding that the funds would come from the pension account but would welcome clarity.

ACTION: Welsh Government to seek clarity on funding streams.

24. HG explained that the Welsh Government was liaising with Clair Alcock to produce a Wales specific administrator guide. The guide will be translated and circulated in due course. LA asked whether Clair could produce generic templates for the Local Pension Boards to use for agenda items. HJ mentioned that Clair had circulated a number of documents earlier that day.

25. MP invited any other business items from the Board. DD suggested sharing information on local discretion cases to ensure continuity or to be aware of the different avenues and reasons why. MP agreed this would be useful information for the Board to share.

Agenda Item 7 – Date of Next Meeting

26. MP explained that the Board will meet tri-annually. MP asked members views on the venue of the meetings. GM suggested that Llandrindod Wells would not be easily accessible for Sean Starbuck, the second FBU member, as he lives in London. All other members, however, were content for future meetings to be held in

Llandrindod Wells. MP suggested the next meeting take place in October/November to coincide with the release of GAD's Prior Value of Cost Cap Fund Report. The Board agreed with this approach.

ACTION: Welsh Government to seek members' availability and confirm date of next meeting.