

Firefighters' Pension Scheme Advisory Board for Wales

29 September 2017, Cardiff Gate Training & Development Centre

Minutes

Members

Michael Prior (MP)	Independent Chair
Cllr Claire Mills (CM)	Mid and West Wales Fire and Rescue Authority
Cllr Sue Pickering (SP)	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

Richard Fairhead (RF)	North Wales fire and Rescue Service
Kevin Jones (KJ)	Mid and West Wales Fire and Rescue Service
Phil Haynes (PH)	South Wales Fire and Rescue Service

Others in Attendance

Cllr Bryan Apsley (BA)	North Wales Fire and Rescue Authority
Clair Alcock (CA)	Local Government Association
Claire Hey (CH)	Local Government Association
Chris Mulholland (CM)	Government Actuary's Department

Welsh Government Officials (Secretariat)

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

Apologies

Cllr Rodney Skelland	North Wales Fire and Rescue Authority
Dawn Docx	North Wales Fire and Rescue Service
Mick Crennell	Association of Principal Fire Officers
Sean Starbuck	Fire Brigades Union
Adrian Hughes	Retained Firefighters Union

Observers

Iwan Cray (IC)	Mid and West Fire and Rescue Service
Chris Barton (CB)	South Wales Fire and Rescue Service
Julie Brown (JB)	North Wales fire and Rescue Service

1. AGENDA ITEM 1 – WELCOME AND INTRODUCTIONS

1.1 MP welcomed everyone to the meeting and extended a welcome to Cllrs Clair Mills, Sue Pickering and Bryan Apsley who were attending the meeting for the first time. MP also welcomed Chris Mulholland from Government Actuary's Department (GAD), and Clair Alcock and Claire Hey from Local Government Association. MP

noted that apologies had been received from Dawn Docx, Mick Crennell, Sean Starbuck and Adrian Hughes.

1.2 MP acknowledged that there were also a number of observers in attendance. MP extended his condolences to Mid and West Wales Fire Authority following the sad loss of Cllr Janice Dudley who had previously sat on the Scheme Advisory Board for Wales (SABW).

1.3 MP thanked everybody for attending the meeting following an extensive pensions' training session which had taken place earlier that day. MP explained that the meeting had been arranged to specifically focus on the 2016 valuation and would not follow the format of usual SABW meetings. The minutes of the previous meeting and matters arising would be discussed at the next full meeting which was being scheduled for the end of November.

2. AGENDA ITEM 2 – 2016 VALUATION

- **Update on Firefighters Pension Scheme in England Assumptions and the impact on Wales**

2.1 MP introduced CM to provide an update on the 2016 Valuation. CM explained that as part of his presentation he would cover the background to the assumption setting, a summary on the emerging assumptions for the 2016 valuation in England and how those assumptions would impact on Wales. CM explained that he was an adviser to the Welsh Government and not the SABW.

Timings for the Welsh assumptions

2.2 CM explained that a draft report of the initial Welsh assumptions would be provided to the SABW in advance of the meeting scheduled to take place in November. CM would attend the meeting to present the findings and to respond to any queries raised by the SABW. The SABW would be required to comment on the draft report by mid December.

2.3 CM added that some of the Welsh assumptions would be the same as the English assumptions and explained that this approach was similar to that used for the 2012 Valuation. This was because the size of the Welsh Schemes meant that there was limited data for particular areas, with the larger set of English data therefore providing a more accurate baseline. KC said that the Welsh Government would circulate the assumptions report that was provided to the FRA's at the last valuation to help them prepare for the forthcoming meeting.

2016 Valuation in England

2.4 CM referred to the scheme specific assumptions for the 2016 actuarial valuation of the Firefighters' pension schemes in England which had been shared with the SABW for information purposes. CM reiterated that the document should be treated in confidence and not shared more widely.

2.5 CM explained that the key assumption change related to pensioner mortality. The analysis of the number of deaths between 2012 and 2016 implied that pensioners were living longer. KJ asked how the data compared to the rest of the population of pensioners. CM confirmed that life expectancy was higher than for the general population. CM explained that the data collection had improved as part of the 2016 Valuation which had allowed GAD to analyse more accurately the impact mortality rates would have on the schemes. CM explained that the increase in mortality rates would lead to an increase in cost for each member of the scheme; consequently leading to an increase in the employer contribution rate. CM explained that GAD had proposed to smooth the short term volatility by averaging between the 2012 assumption and the 2012-16 experience. The change would increase the employer contribution rate by approximately 1.7% in England and a 0.7% increase on the cost cap cost. It was noted though that most of the impact of this would be offset by changes to the longer term rates of improvement. New ONS assumptions due in October would impact on these long terms rates and it was hoped that these would be available for the SABW meeting in November

2.6 CM referred to the age of normal retirement from service assumptions - a change was proposed for the 1992 scheme and a new assumption for the modified scheme added, but the others would remain as set in the 2012 valuation. It was not expected that these changes would have a material impact on the valuation. PS queried the assumption that 75% of firefighters in the 2015 scheme would retire at age 60. CA indicated that the English SAB had also sought independent actuarial advice which were consistent with the GAD assumptions. It was noted that different early retirement factors apply in the 2015 scheme in Wales.

2.7 In relation to ill-health retirements, GAD proposed maintaining the 2012 assumptions. The data provided on the number of upper tier retirements had been inconclusive and so the previous assumption of 40% would be used. CM asked the SAB if they were aware of any additional evidence to help inform the assumption. The FRAs confirmed that they held robust data on the number of ill health retirements broken down by lower and upper tier retirements and were happy to share this information with GAD. Welsh Government colleagues would coordinate the return.

2.8 CM explained that, as part of the 2012-16 valuation, GAD had considered events that had occurred which could have impacted on scheme membership in the period 2012-2016 (including increases in member contribution rates, the introduction of the 2015 scheme and the public sector pay cap) and were mindful that withdrawals from the scheme during this period may not continue in a similar pattern.

2.9 CM referred to the Opt Out data in England which had suggested a reduction in the number of opt outs in 2016-17 compared to 2015-16. KC provided copies of the Opt Out data collected in Wales during that period which suggested that the position in Wales was opposite to that in England with opt out rates higher in 2016-17 than in 2015-16. KC advised that the information would be submitted to GAD to feed into their findings but asked FRAs to review the figures to ensure the opt out data was correct. PH queried whether Cash Equivalent Transfer Values (CETVs) would impact the figures. CM advised that CETV's would not form part of the exercise and that they were only interested in when members stopped being active.

2.10 CM spoke about promotional pay and explained that there were separate assumptions for wholetime (based on service) and RDS (based on age). GAD proposed the new assumption for special retained members to be the same as the standard retained assumption. The 'profile analysis' had suggested that the 2012 assumption remained appropriate. PH queried whether Scheme Pays would impact the valuation. CM advised that there would be an initial loss to the pension scheme that would be balanced out in the longer term by lower pensions payments. There would be a minimal impact on the valuation. PH explained that 80% of the area managers in South Wales FRA were currently eligible for retirement from the 1992 scheme and could be affected by the change in levels of Life Time Allowances. PH added that a number of officers could also be affected by the Annual Allowance change (e.g. on promotion etc).

2.11 CM spoke about analysis undertaken to compare increases to pensionable pay between 2012 and 2016. The findings suggested that there had not been any significant increase in pensionable pay. CM queried the approach to alternative whole-time crewing arrangements in Wales and the treatment of allowances in this respect, indicating that this could impact on the costs of the schemes and future valuations. PH advised that there were different contracts in place in each of the FRAs in Wales. KJ added that Mid and West Wales FRA was awaiting a determination from the Pensions Ombudsman in relation to pensionable pay. GM added that he was awaiting information from FBU National Officials regarding the potential for a wider agreement on pensionable pay in England through the LGA and asked for Pensionable Pay to be included on the agenda for the next meeting.

- **Cost Cap Directions (SCAPE)**

2.12 CM referred to the reduction in the SCAPE discount rate from 3% to 2.8% which would result in an upward pressure on employer contribution rates. The employer cost cap for the Welsh Scheme was 17.1% of pay, as set out in the Firefighters' Pension Scheme (Wales) Regulations 2015. CM explained that HM Treasury had indicated they would change HMT directions to ensure that the change in discount rate was negated in the cost cap cost assessment thereby removing the requirement for any amendment to the costs cap in individual scheme regulations. The SCAPE discount rate would still have an impact on employer contribution rates.

- **Past Service Costs**

2.13 CM spoke about the costs associated with issues relating to the firefighter pension schemes in terms of their impact on past service costs, and their treatment in the valuation and cost cap mechanism:

- The additional payments made following the Pensions Ombudsman's determination in the case of Milne.
- The option for eligible retained members to purchase past service in the modified/special section of the 2006.

- The refund of employee contributions being paid to eligible firefighters who made contributions after they had reached their maximum pensionable service in the 1992 Scheme prior to age 50.

2.14 CM explained that the three issues were common across firefighter schemes across the UK. The Home Office had consulted the Scheme Advisory Board for England(SABE) on how the issues should be dealt with in the valuation process (which determines the contribution rate payable by employers) and the cost cap mechanism. KC added that the paper submitted to the English SAB had been circulated to SABW in August seeking comments. The FBU had indicated their support of the position set by the English SAB but only South Wales FRA had provided further written feedback. Although the English SAB had provided feedback to Home Office, CM confirmed that central Government were still considering how these past service costs would be treated and as such there was still a window of opportunity for SABW to also submit its views.

2.15 CA advised that the English SAB had sought advice from experts within the FRAs as part of their considerations prior to submitting their response to Home Office. CA indicated that she was happy to share this documentation with SABW .

2.16 PH commented that the views of South Wales FRA mirrored those of the English SAB. KC asked the SABW to confirm their views. All SABW members (both employer and employee) confirmed that they (supported the position of the English SAB in relation to past service costs and agreed for Welsh Government to reflect this position in a response to HM Treasury

2.17 MP thanked CM for his contribution to the meeting and acknowledged that CM would attend the next meeting to present the draft assumptions for Wales. MP iterated the importance of all members attending the next meeting to discuss the draft assumptions in detail.