

**Firefighters' Pension Scheme Advisory Board for Wales**

**3 October 2016, Welsh Government Building, Merthyr Tydfil**

**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
Sean Starbuck (SS)	Fire Brigades Union
Adrian Hughes (AH)	Retained Firefighters Union

**Officers in attendance**

Liz Aitken (LA)	Mid and West Wales Fire and Rescue Service
Phil Haynes (PH)	South Wales Fire and Rescue Service

**Welsh Government Officials (Secretariat)**

Steve Pomeroy (SP)	Fire Services Branch
Kerry Citric (KC)	Fire Services Branch
Cerys Myers (CM)	Fire Services Branch

**Via Telephone Link**

Dawn Docx (DD)	North Wales Fire and Rescue Service
Paul Scott (PS)	Fire Officers' Association

**Apologies**

Cllr Tudor Owen	North Wales Fire and Rescue Authority
Mick Crennell	Association of Principal Fire Officers

**AGENDA ITEM 1 – WELCOME AND INTRODUCTIONS**

1. MP welcomed everyone to the meeting and extended a welcome to Cllr Janice Dudley who had replaced Cllr Wynne Evans as Chair of Mid and West Wales Fire and Rescue Authority. MP informed members that Mick Crennell had been appointed as Secretary of the Association of Principal Fire Officers in Wales replacing Huw Jakeway, but noted apologies had been received from Mick Crennell.
2. MP informed the Board that Steve Pomeroy and Phil Haynes were unable to stay for the whole meeting.
3. Members confirmed they had no conflicts of interest to declare.

**AGENDA ITEM 2 – MINUTES FROM LAST MEETING**

4. MP referred to the minutes of the previous meeting held on 27 April and invited members to agree the minutes for accuracy. No comments were made and the minutes were agreed as a true record.

5. MP referred to the matters arising and explained an update on the *administration costs, terms of reference and appointment of Board Members* would be covered by the agenda. SS advised that he had been unable to obtain the relevant information in relation to the first action point on *transitional arrangements*. As the second action point on transitional arrangements was depended on the first being completed, MP acknowledged that both action points would be deferred until the next meeting.

6. MP invited LA to provide an update on Norman v Cheshire. LA explained that Mid and West Wales FRA had completed stages 1 and 2 of the Internal Dispute Resolution Process and were awaiting a response from the Fire Brigades Union regarding their position. SS informed the Board that the English Scheme Advisory Board had received training on pensionable pay and the English FRAs agreed to seek a consistent approach on what was, and was not, pensionable. The FBU would then decide their position. GM advised that he would speak to local FBU officials to obtain clarity on the position in Wales and advised that the FBU could obtain agreement to put their position on hold until a consistent approach was agreed by FRAs. SS added the importance of reaching a consensus on pensionable pay in a timely manner as there could be potential implications for the 2016 Valuation. SS advised that the issue would be discussed at the Local Government Association event on 11<sup>th</sup> October and suggested that Welsh FRA employer representatives raise their concerns and contribute to those discussions.

***ACTION:* Further update to be provided at the next meeting.**

**AGENDA ITEM 3 - GOVERNANCE**

7. SP referred to FPSABW(16)01 which outlined the Welsh Government's view on the administration costs of the Board, the appointment of Board Members and the administration of the work of the Board, including the development of training and workplans. Each of the points were taken in turn:-

***Appointment of Board Members***

- i. SP clarified that appointments were currently made to individuals rather than organisations. Members were asked for their views on whether the Cabinet Secretary for Communities and Children should appoint organisations to the Board, rather than appointing individuals directly. This would allow the exact membership to change as needed via the secretariat, without further approval from the Cabinet Secretary; the Cabinet Secretary had issued letters to two new individuals in the last few months.

- ii. SS expressed concern about the proposal as it could lead to organisations alternating membership resulting in lack of expertise. MP agreed that consistency of members and expertise was essential to the effectiveness of the Board. PH was content with the proposal providing the Minister was aware of the appointment process of chairs to the FRAs. JD added that the appointment process would make it difficult to ensure consistency of Board members. DD agreed that consistency of Board members was essential and queried whether the Board would allow substitutes. SP confirmed that substitutes were allowed, with the approval of the Chair. LA added that each FRA was responsible for ensuring members had the knowledge and understanding required to undertake the role. SS agreed and suggested that substitutes should be provided with the same training. MP suggested that the Board stick to the existing appointment process i.e. organisations to nominate their member representative, but requested the nomination include a named substitute or alternate.

### ***Work of the Board***

- iii. SP reminded members that the Board was established to advise Welsh Ministers on the management of the scheme from the perspective of employers and scheme members. Whilst the Welsh Government acted as secretariat to the Board, and would always have a role in bringing forward legislative issues for discussion, and as a conduit with GAD, it should not lead the overall work of the Board.
- iv. MP agreed and reinforced the need for members to bring items forward to set the agenda. MP asked SS for his views based on his representation on the Scheme Advisory Board in England and Scotland. SS advised that the Local Pension Board meetings generally took place prior to meetings of the Scheme Advisory Board. This allowed the Local Pension Board to bring items / concerns to the attention of the Scheme Advisory Board. SS suggested the Board circulate information to the LPB to outline the role of the SAB and explain how the Boards could complement each other. DD agreed that a consistent approach would be beneficial but whilst there was clearly a need for some programming of agendas over the next few years (to take account of the valuation programme for instance), the Board would need to maintain flexibility to develop and take on issues as they arose. PS suggested that the Local Pension Boards and Scheme Advisory Board should communicate with the equivalent boards in England. KC informed the Board that Clair Alcock, Firefighters' Pension Adviser working in Local Government Association, had requested to attend future meetings of the Board. MP reminded members that Clair had delivered many training events in relation to the firefighter pension schemes and advised that her expertise would be of value to the Board. There was an agreed consensus that Clair would be a valuable addition to the Board.

***ACTION: Welsh Government to invite Clair Alcock to the next meeting.***

### ***Administration Costs***

- v. SP clarified that HM Treasury had already made clear that governance costs should be met by employers. Thus the costs of the Scheme Advisory Board and

Local Pension Boards would not be attributable to Pension Funds. SP suggested that the Board could discuss whether to establish a budget but the Welsh Government would not be able to contribute to any funding mechanism. The Welsh Government already contributed to the administrative costs of the Board by meeting the costs of the Independent Chair. SP added that two Fire and Rescue Authorities (FRAs) had queried with the Independent Remuneration Panel (IRP) for Wales, whether a senior salary could be allocated to pay the expenses of the chairs of the Local Pension Boards. SP advised that the Firefighters' Pension Scheme (Wales) Regulations 2015 provided the FRAs with the power to pay the chair (or members) of their local pension boards as part of their scheme management functions. Therefore a determination by the IRP was not required to enable them to do so.

- vi. SS felt that the Board needed a budget to cover training aspects and any potential actuarial advice required by the Board to support their deliberations and advice; as was the case for the Scheme Advisory Board in England. KC added that the budget for the English Board was made up of FRA contributions which were not considered recoverable through the top up grant process. MP shared the opinion of Board members that in order to be effective, training would be essential. MP asked the Welsh Government to confirm the amount of the budget allocated to the Scheme Advisory Board in England and the contribution costs from each of the English Fire and Rescue Authorities so the issue could be discussed further at the next meeting.

**ACTION: Welsh Government to confirm the amount of the budget allocated to the Scheme Advisory Board in England and the contribution costs from each of the English Fire and Rescue Authorities.**

***Terms of Reference***

- vii. SP referred to the amended terms of reference which had incorporated some of the comments raised at the last meeting.

[SP left the meeting.]

**AGENDA ITEM 4 – FIREFIGHTER’S PENSION SCHEME AMENDMENTS**

- 8. KC introduced the item and took each of the proposed amendments in turn.

***Age Discrimination (Pension Contributions Holidays)***

- i. KC explained that the Home Office had laid their amendment order which came into force on 30 September 2016. This was based on an agreement with the FBU and the High Court in November 2015. The Scottish Government were undertaking a short consultation on the same amendments. The Welsh Government officials had drafted their amendment order, which effectively mirrored the Home Office order, and were in the process of getting it translated. KC advised the Board that the Welsh Government had received

costings from the Government Actuary Department and were clarifying the handling of the costs with HM Treasury. KC explained that officials were considering whether a short consultation was required in Wales. However doing so would delay the process further. KC added that an original consultation on this issue had taken place in 2012 and issues raised as part of that consultation had already been covered in the draft order. KC sought the views of the Board.

- ii. SS queried whether the Welsh Government amendment order was in line with the Home Office legislation. KC confirmed this to be the case and confirmed that the amendment order would cover members who transferred pensions in from previous employment. SS said the FBU had contributed to the Home Office consultation, and were party to the High Court agreement, and therefore were content for the Welsh Government to lay the order without undertaking a further consultation. DD and PH shared this view in order to avoid further unnecessary delays. PH informed the Board that South Wales FRA had received a number of phone calls in relation to this issue and would therefore welcome early resolution of the matter.
- iii. KC advised that employees between the ages of 48-50, who had reached 30 years service, would be entitled to a backdated payment, and any future employee contributions would be stopped. However employer contributions would continue to be paid. LA felt that this was unfair to the FRAs but SS advised that the High Court order found there to be an age discrimination against employees, and did not include employers. KC indicated that employers continuing to make contributions meant that employees who left the service during the contributions holiday period (e.g. on ill health grounds) would not be disadvantaged in terms of their pensionable pay. This would continue to be calculated from the date that they left the service. KC added that the GAD costings indicated the potential employee savings, covering the period 2016 – 2022, would be £90,000 spread across each of the FRAs in Wales. Employer contributions for the same period would be slightly higher but spread across the three FRAs and the 6 years period, the costs were still low. This was not an additional burden as FRAs were already meeting these costs.
- iv. KC informed the Board that the Home Office had asked English FRAs to put steps in place to implement part of the arrangements (stopping current monthly contributions being made by serving members) in October 2016. As the Welsh Government had not laid its amendment order, the FRAs were not in a position to do the same in Wales. However FRAs had indicated that this deadline would have caused them problem in terms of timing for payroll systems. The Welsh Government was aware that some of the FRAs had begun preparatory work to identify those affected by the amendments, but would liaise closely with the FRAs to ensure that implementation dates were realistic in terms of payroll systems. KC added that GAD had developed a calculator for the Home Office to use to calculate the refund of contributions due to members. The costs of the calculator would be shared between Welsh Government and the Home Office so that it could be used by the FRAs in Wales.

- v. KC indicated that advice to the Minister would indicate the Boards overall agreement that no further consultation was required; however she would also reflect the comment made regarding employer contributions.

**ACTION: Welsh Government to include all views expressed in advice submitted to the Minister.**

***Amendments to the 2015 Scheme Regulations***

- vi. KC advised the Board that the Welsh Government had drafted the amendment order but had chosen to delay the consultation until the Home Office had analysed the consultation feedback to their draft amendment order. Doing so would allow the Welsh Government to consult on the most up to date amendments available.

***Change in Regulation regarding surviving partners' entitlement to death benefit on re-marriage***

- vii. As above, the consultation had been delayed until the Home Office had analysed the consultation feedback to their amendment order. KC explained that Welsh Government lawyers were discussing the definitions of 'killed in service' with the Home Office. The Welsh Government consultation would include a number of options, including full retrospection, unlike the English and Scottish Orders. Some concerns were raised regarding further delay in implementing the arrangements. GM advised that he was aware of one person who had re-married. DD added that there were two, but possibly more, potential cases in North Wales. SS suggested that the current legislation may also be preventing those who are considering re-marriage, to do so. SS informed the Board that the FBU had responded to the English consultation to highlight concerns of age discrimination – a younger person might be more likely to re-marry but the current legislation was a disincentive for them to do so. The FBU would provide a similar response to the Welsh consultation.

**AGENDA ITEM 5 – VALUATION**

- 9. MP referred to the *indicative 2016 valuation timetable* and the *2016 Valuations Programme progress report* documents provided to members. MP noted that there was a large period between the current stage of the valuation and the next stage in August 2017 as GAD analysed the data received from the FRAs. KC commented on the delay in FRAs submitting their valuation data to GAD. The delays had not affected the timetable to date as GAD had concentrated on other elements, but it was important that any future deadlines were adhered to. It was likely that GAD would approach the FRAs on membership and movements data queries, and KC urged the FRAs to respond to those queries within the timeframes allocated. KC had spoken to GAD regarding an appropriate time for them to attend a Board meeting. GAD

had indicated they would not be able to provide any meaningful feedback on the valuation until Autumn 2017.

10. MP asked each of the FRAs to confirm their position in relation to the data. DD confirmed that North Wales FRA had submitted the relevant data and was not aware of any issues. LA confirmed that a change in FRA payroll systems had contributed to the delay in Mid and West Wales FRA submitting their data. The data had since been provided and LA was unaware of any further issues. PH confirmed that South Wales FRA had experienced the same payroll issue but added that their scheme administrators had difficulty meeting the deadline as they had to simultaneously process annual benefit statements for members of the Local Government Pension Scheme.
11. SS suggested a paper which detailed membership trends would be beneficial to the Board when providing advice to the Minister. PH added that South Wales FRA had identified member opt outs as an issue and would be considering it further. KC said that the Board had been provided with a paper on Opt Out Data at the first meeting and the Welsh Government was considering the regularity of presenting the data to the Board. SS suggested an update was needed at least on a six monthly basis to enable the Board to identify trends.

**ACTION: Welsh Government to collate Opt Out Data from FRAs and submit to the Board for each meeting.**

#### **AGENDA ITEM 6 – EMPLOYEE CONTRIBUTION RATES: YIELD**

12. KC reminded members that they were presented with a paper on employee contribution rates at the meeting held on 27 November 2015. At that meeting, members were asked to note proposals for the ongoing monitoring of the yield. The Welsh Government had since calculated the overall contribution yield for 2015-16 based on pension returns provided by each of the FRAs. The calculations showed the overall yield for Wales, across all three FRAs and all schemes, was 13.1%. This was consistent with the figure that GAD had estimated as part of their valuation work on the 2015 scheme. Members were asked for their views.
13. Members noted that the highest yield was from the 1992 scheme. PH voiced his concerns about members retiring from the 1992 Scheme as this was the primary funding stream. Members from the 1992 scheme were replaced by members entering the 2015 Scheme, resulting in much lower contribution rates. 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. LA agreed that it was a concern and the level of retirements might not have been anticipated at the time of the previous valuation. DD queried the pension returns submitted by the FRAs and noted that North Wales was the only FRA to provide figures for the Modified Scheme. KC said that the figures were based on the FPF returns which were used to calculate the pension top up grant funding. KC asked the FRAs to

check the figures submitted and provide confirmation that the figures were correct as soon as possible.

**ACTION: FRAs to review the data submitted as part of the Pension Top Up Grant funding exercise and advise Welsh Government accordingly.**

14. Members were provided with a paper which outlined the overall costs of the firefighter pension scheme from 2011-12 to 2015-16. KC explained that the difference between the income and expenditure was met by top-up grant funding via Treasury. KC highlighted employer contributions in 2015-16 had amounted to 19.37% of pensionable pay across all of the schemes.
15. SS welcomed the paper which confirmed concerns raised by PH. PH added that South Wales FRA had also seen a rise in ill health retirements. An update would be provided to the Local Pension Board. PH expressed concern that the figures could be monitored but not controlled.

[PH left the meeting].

16. AH queried whether it was the role of the Board to extrapolate the costs. MP indicated that it was a clear function of the Board to advise the Minister on the affordability of the schemes. SS commented on the projection work being undertaken by GAD for 2019 onwards and suggested that, in addition to this, a further review of projections up to 2018 might be needed if levels of retirement, opt out etc. were higher than GAD had already estimated.
17. The cost of such GAD work was discussed. KC said that the Welsh Government funding for GAD, related to the current valuation exercise and costs associated with advice on Welsh Government initiated scheme amendments. KC recognised that the Board requesting such advice led back to SS earlier point regarding the need for the Board to have a budget. It was agreed that Welsh Government would review the existing GAD valuation information, and share this with Board members with a view to asking GAD for a quote on reworking some of their estimates based on actual data relating to 2015-16.

**ACTION: Welsh Government to review the existing GAD valuation information and share with Board Members.**

18. MP asked SS if he could provide an update on the position in England. SS indicated that information on pension fund income and expenditure, and actual employee yield had not yet been discussed by the English Board. SS agreed to raise the issue and report back when any information was available.

**ACTION: SS to query the employee contribution rates yield with the English scheme advisory board and to provide feedback to Board Members.**

19. LA pointed out that the valuation results could lead to an additional burden on FRA budgets.



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

20. MP referred to the previous meeting where it was agreed that the FRA representatives would ensure a joint approach was taken when submitting updates from their local pension boards. MP invited the FRA representatives to provide an update.
21. LA advised that the FRAs had not had the opportunity to discuss the joint approach. Mid and West Wales Local Pension Board had received a training session prior to their meeting and LA suggested that a joint approach to training was also required. Mid and West Wales FRA intend to agree a training plan with the other FRAs.
22. South Wales Local Pension Board would be recruiting for three vacancies. In doing so, it would seek to recruit members with expertise in pension matters.
23. DD advised that North Wales Local Pension Board had completed online training. DD agreed that a pan Wales training approach was required but suggested stalling until June 2017 following the outcome of local elections. Cllr Jones raised concerns about the continuity of board members. Cllr Dudley queried whether there were scrutiny implications if there was duplication of representatives across the local pension boards, local scrutiny committees and scheme advisory board. MP said that this issue had been raised previously and confirmed that there was nothing to prevent an individual sitting on a local pension board and scheme advisory board. The Scheme Advisory Board was an advisory body and did not have a scrutiny function. Arrangements locally were a matter for the FRA.

### **ACTION: FRAs to discuss a joint approach to submitting updates at future Scheme Advisory Board meetings.**

24. MP said that it would be useful, as Chair of the Scheme Advisory Board, to meet with the Chairs of the Local Pension Boards. MP added that he would welcome an invitation to attend each of the Local Pension Board meetings in the future.
25. SS referred to a letter which had been circulated by the Chair of the Scheme Advisory Board to the local pension boards in England and suggested a similar approach be followed in Wales. MP agreed.

### **ACTION: MP to draft letter and circulate to the local pension boards in Wales.**

## **AGENDA ITEM 8 – HM TREASURY UPDATE**

26. KC provided information on two issues relating to Guaranteed Minimum Payment (GMP). KC referred to the introduction of the new State Pension which has removed the Additional State Pension and therefore the

mechanism for GMP indexation and equalisation. FRAs had previously been advised on arrangements for those reaching State Pension Age between April 2016 and December 2018. KC indicated that Treasury was developing a document to consult on the long term solution to indexation and equalisation. KC advised Board members to be mindful of communications regarding this issue from HM Treasury as there would be implications for FRAs in Wales. KC had asked Treasury to include Welsh FRAs and the firefighter Unions on the consultation list.

27. KC informed the Board that HM Treasury had set up a working group to consider historical under/over payments relating to GMP. The group was considering whether it would be value for money to re-coup any over payments; HM Treasury had in the past written off such payments.
28. SS acknowledged the level of work required by the FRAs to ensure members records were correct as part of this exercise.

**AGENDA ITEM 9 – ANY OTHER BUSINESS AND DATE OF NEXT MEETING**

29. MP asked if members had any issues they would like to raise that had not already been covered by the agenda. SS informed the Board that the FBU had challenged South Wales FRA on a Protected Pension Age issue and advised that a paper would be submitted to the Board ahead of the next meeting.

***ACTION:* Sean Starbuck to provide a paper on Protected Pension Age.**

30. MP thanked members for attending and suggested the Board meet again in the New Year.

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