

## Firefighters' Pension Scheme Advisory Board for Wales

23 February 2022

### Virtual Meeting via Microsoft Teams Note of Meeting

#### Present

Michael Prior Independent Chair

#### Employee Members

Mark Rowe	Fire Brigades Union
Cerith Griffiths	Fire Brigades Union
Ade Robinson	Fire Officers' Association
Tristan Ashby	Fire and Rescue Services Association
Richard Fairhead	Fire Leaders' Association

#### Employer Members

Cllr Edward Thomas	Mid and West Wales FRA
Cllr Bryan Apsley	North Wales FRA

#### In attendance

Helen MacArthur	North Wales FRA
Alison Reed	South Wales FRA
Chris Barton	South Wales FRA
Kim Jeal	South Wales FRA
Mydrian Harries	Mid and West Wales FRA
Mark Miles	Mid and West Wales FRA
Claire Hey	Local Government Association
Claire Johnson	Local Government Association

#### WG Officials

Steve Pomeroy	Welsh Government
Kerry Citric	Welsh Government
Cerys Myers	Welsh Government
Natalie Spiller	Welsh Government
Steffan Herdman	Welsh Government

#### Apologies

Cllr Pamela Drake	South Wales FRA
Sarah Tilman	Mid and West Wales FRA

## **1. AGENDA ITEM 1 – WELCOME AND INTRODUCTIONS**

1.1 The Chair welcomed everyone to the meeting.

1.2 The Chair welcomed Mydrian Harries who had recently been appointed as Temporary Director of Resources at Mid and West Wales FRA. The Chair also welcomed Claire Johnson to the SABW, who had been successfully recruited as Pension Adviser at the Local Government Association (LGA), and also Kim Jeal (South Wales FRA) who had joined the meeting as an Observer.

1.3 Members confirmed that they had no conflicts of interest to declare.

## **2. AGENDA ITEM 2 – NOTES FROM LAST MEETING AND MATTERS ARISING**

2.1 The Chair referred to the notes of the previous meeting held on 4 November 2021 and invited members to agree them for accuracy. No comments were made and the notes were agreed as a true record.

2.2 An update on the actions from the previous meeting, and outstanding actions from earlier meetings was provided as a front page to the notes. The Chair advised that all outstanding items under Matters Arising would be discussed in detail under the corresponding agenda items.

## **3. AGENDA ITEM 3 – PUBLIC SERVICE PENSIONS AND JUDICIAL OFFICES BILL – CONSULTATION ON AMENDMENTS TO FIREFIGHTERS' PENSION SCHEMES 2021**

3.1 SP advised the Board that the Public Service Pensions and Judicial Offices (PSPJO) Bill was due to complete its final stages in the House of Commons on the 23 February before being reverted back to the House of Lords for debate. The Bill was expected to receive Royal Assent by mid March.

3.2 The Welsh Governments' consultation on the Prospective Regulations had closed on the 20 December 2021. The consultation had included draft regulations which transferred all remaining protected members into the 2015 scheme from 1 April 2022. It had also confirmed that transitional arrangements for final salary link, weighted accrual, and purchase of added years would remain in place, and that new arrangements would be included in the final amending regulations to provide an ill-health underpin for transferring members already in the ill-health retirement process.

3.3 8 responses to the consultation had been received. FPSABW(22)01 provided a brief summary of these. SP indicated that further information would be included in the full consultation summary document that would be published shortly. The responses reflected a general agreement that the draft regulations met the requirement to remove unlawful age discrimination by transferred all remaining legacy scheme members into the 2015 scheme. There was also general support for

an ill-health underpin. However some responses had sought a broader approach to eligibility ie. where the date of injury or start of condition which resulted in ill-health retirement occurred before the transfer date. Other issues raised included concern about the ability of female firefighters particularly to maintain fitness levels to NPA of 60 in the 2015 scheme, and the benefits of a consistent UK-wide approach for both firefighters administrators.

3.4 SP indicated that the Welsh Government had carefully considered the responses received before finalising the policy position and final drafting of the Regulations.

3.5 KC advised that an underpin was not needed for members transferring from the 2007 Scheme as their ill health benefits would always be at least as generous under the 2015 Scheme. There could however be 1992 scheme members who would benefit from an underpin although this would be a very narrow group. The calculation of ill-health retirement under the 1992 scheme meant that the majority of members who had reached aged 55 would instead have received an age retirement pension, unless they were Station Manager or above where the ill-health calculation was based on an assumed retirement age of 60. The Welsh Government had considered a broader approach to eligibility but had concluded this was not possible. One reason was that there was a risk of such a change causing confusion and unfairness, particularly for those with chronic conditions that could deteriorate over time. Another reason was to maintain the same criteria applied to ill-health member transfers pre 1 April 2022. The final regulations would therefore include an underpin for 1992 scheme members, the eligibility criteria for which would be Where the FRA had decided to refer to an IQMP for assessment before the transfer date. Because of the age of transferring members it was unlikely that anybody would be in scope for the underpin, and that would have been the case too had the eligibility been widened. The underpin had been included though because it was not possible to say without doubt that this would be the case on the date of transfer.

3.6 On the issue of age retirement, members noted that this was mandated in non-devolved primary legislation, but that the Welsh Government had introduced significantly more generous early retirement factors for the 2015 scheme when it was introduced.

3.7 Members noted the draft Regulations, which were circulated ahead of the SABW meeting for information purposes. The Board were advised that Welsh Ministers had agreed the final Regulations which would be formally signed, made and laid in order that they can come into force before 1 April 2022.

3.8 SP advised that the Welsh Government aimed to introduce Retrospective Regulations by April 2023, 6 months ahead of the final deadline for implementation, in order to allow Scheme Administrators time to prepare for the required changes. The SABW would receive a clear picture of the proposals and timescales for introducing the Regulations as part of the formal consultation prior to this.

#### **4. AGENDA ITEM 4 – MEMBER COMMUNICATION (2015 REMEDY)**

4.1 Alison Reed advised that the LGA had recently circulated an ‘FPS 2015 Remedy ‘fact checker’, which has been developed by Barnett Waddingham, in collaboration with the LGA and the Firefighters’ Pensions England Scheme Advisory Board (SABE). The aim of the document was to answer some key concerns or recurring questions that members might have about the changes that were due to take place on 1 April 2022 and to help clear up any confusion and myths that may have been circulating.

4.2 The LGA had also requested Barnett Waddingham to produce a version of the document which was specific to Firefighter Pension Schemes in Wales. Members endorsed the use of the document in Wales and agreed that it would be very helpful in providing Firefighters’ with accurate information on which to base their decisions regarding remedy. Members felt that the document should be clearly marked as a Welsh version to avoid unnecessary confusion to scheme members. It was agreed that the document should be bilingual and contain the Welsh FRA logos. CH agreed to liaise with the Secretariat and Barnett Waddingham to produce a Welsh version of the document that could be widely distributed to scheme members throughout Wales.

4.3 CH advised that Barnett Waddingham were also producing a series of illustrative scenarios to provide members with a better understanding of the implications of the McCloud/ Sargeant remedy on their benefits. It was anticipated that the illustrative scenarios would be available by early March. However, due to the cost of this exercise, the FRAs would be required to provide further funding to the LGA if the scenarios needed to be tailored specifically to Firefighter Pension Schemes in Wales. Employer representatives confirmed that they were in agreement with this approach.

4.4 The Secretariat would liaise with the FRAs and the LGA directly on this matter following the meeting.

**Action: Secretariat to liaise with the LGA and the FRAs regarding the production of a Welsh version of the “Fact Checker” and additional funding required in relation to the illustrative scenarios.**

#### **5. AGENDA ITEM 5 – PROVISION DEFINITION DOCUMENTS (PDDs)**

5.1 KC reminded members that HM Treasury’s timetable at the last SABW meeting had indicated that the full set of PDDs were due to be completed by the end of November. That deadline had subsequently been revised to the end of January, but the majority of PDDs were still in draft form. The latest outline timetable provided for members contained the current approval status of each PDD but did not commit to a deadline for finalised versions. KC advised that, because of their draft status, the majority of PDDs still could not be shared with SABW. However, the Welsh Government had shared the draft documents with scheme administrators with the agreement of HM Treasury.

5.2 Members were advised that the PDDs were too generic in their current form and would need to be adapted to reflect the specific nuances of the firefighter schemes for them to aid scheme administrators with their preparations for implementing the McCloud remedy, and to support the development of scheme regulations. KC reported that the Welsh Government, Home Office and the other devolved administrations had agreed a joined up approach to producing fire scheme specific PDDs, and meetings would commence shortly to begin this process. CH advised that the Home Office had invited the LGA to attend these meetings along with the Chair of the SABE Technical Group (Helen Scargill, West Yorkshire Pension fund). It was proposed that any SABW sub group initial meeting should be delayed until at least some scheme specific PDDs had been finalised. The Secretariat would share copies of the generic PDDs with the SABW once available and relay any actions emerging from the 4 nation meetings which may involve a role for the sub group.

5.3 Concerns were raised that a delay in finalising the PDDs would create a shorter timescale in which to produce Retrospective Regulations. CH advised that the SABE had discussed similar concerns. SP confirmed that it was unlikely that key milestones for introducing the Regulations would be impinged as a result of the delay, as the timetable had been drafted to take into account of potential slippage in the process.

5.4 CH also advised Members that the Scottish Government (SPPA) were in the process of arranging a separate group for SAB Chairs from across the devolved administrations to discuss the fire specific PDDs, feedback from the meetings would be provided at future SABW meetings.

**Action: Secretariat to circulate finalised versions of the PDDs to Members when available.**

**Action: Secretariat to arrange a Sub Group meeting to discuss the PDDs in greater detail once some Scheme Specific PDDs had been produced.**

## **6. AGENDA ITEM 6 – COMPLETION OF THE 2016 VALUATION**

### **2016 Valuation**

6.1 KC reminded members that SABW had previously been provided with draft assumptions and interim results for the completion of the cost cap element of the 2016 Valuation in March 2020. These were based on draft Treasury Directions which set out the requirement to include Sargeant/McCloud remedy costs in the cost cap results. The interim results had indicated a breach of the costs cap ceiling, although at the time it was noted that Treasury had announced its intention to waive any ceiling breaches. At the last SABW meeting in November, members had noted that the final Directions had now been published and that GAD were in the process

of drafting the finalised assumptions, methodology and data reports, and final draft 2016 valuation reports for each scheme.

6.2 KC reported that GAD had now completed this work and the final draft valuation report, which had been circulated to Members in advance of the meeting, showed that including transitional protection remedy costs in the cost cap calculation had, as anticipated in the interim results, resulted in an increase of 17.7% of pensionable pay increasing the cost cap cost to 30.0%.

6.3 Any increase higher than 2% constituted a cost cap ceiling breach. KC advised that under normal circumstances this would require Welsh Ministers to take action to bring the cost cap cost back to its correct level. That action included consultation with the SABW. However, the Treasury waiver previously announced had now been included in the PSPJO Bill. As the Bill was due to receive Royal Assent within the next few weeks, Welsh Government did not intend to commence a consultation process.

6.4 KC advised that GAD would publish the final valuation report once Welsh Ministers had confirmed that they were content with the assumptions used in the draft final valuation report. KC confirmed that the assumptions used were the same as those shared with the SABW in April 2021, and as such the results set out in the final report would be as presented. The Secretariat would forward a copy of the final report to the SABW in due course.

6.5 MR added that the FBU were opposed to the inclusion of McCloud remedy within the 2016 valuation process on the grounds of age discrimination, and had brought a claim for Judicial Review. KC reported GAD had indicated that nothing in the valuation report itself, or any steps taken in relation to it, was intended to affect any of the issues in relation to that litigation.

**Action: Secretariat to circulate final valuation report to SABW members once published.**

## **2020 Valuation**

6.6 GAD colleagues had advised that draft assumptions in relation to the 2020 Valuation would be available by September 2022. As part of its role, the SABW would be required to provide advice to Welsh Ministers on the draft assumptions. It was suggested that training could be provided to SABW Members on the assumption process during the summer period in preparation for this exercise in the autumn. In addition, it was proposed that the training session could also be extended to Local Pension Board members and include presentations from the LGA and The Pensions Regulator (on the new Single Code of Practice) in order to aid Member understanding of the Firefighter Pension Schemes more broadly.

**Action: Secretariat to arrange forthcoming SABW meetings to align with the 2020 Valuation process.**

**Action: Secretariat to co-ordinate a training event for SABW and Local Pension Board Members.**

## **7. AGENDA ITEM 7 – SCAPE METHODOLOGY CONSULTATION**

7.1 KC reminded members of the Treasury SCAPE methodology consultation which had closed on the 19 August 2021. The consultation had offered two main options a methodology based on long term GDP growth or Social Time Preference Rate. Treasury had yet to publish their response to the consultation but members were reminded about the importance of the rate and its impact on the valuation process. KC indicated that it was really important that members were aware, in advance of the 2020 valuation results, of the significant impact that a change in the SCAPE rate could have on employer contribution rates. Changes to the SCAPE rate at the last valuation (based on long term GDP) had resulted in an increase in employer contributions of circa £6m for the firefighters' scheme in Wales alone. CH indicated that the LGA were similarly concerned about the potential implications of a change in the SCAPE rate. The Secretariat would circulate a link to the consultation response once published.

## **8. AGENDA ITEM 8 – PENSION DASHBOARD**

8.1 Members were informed that the Pension Dashboard Programme (PDP) had recently published a consultation on the draft pension dashboard Regulations on 31 January, responses were required to be submitted by the 13 March. NS advised that the SABW had previously provided a joint SABW response to the PDP on the staging of the Firefighter Pension Schemes. Following feedback, the consultation now proposed a revised staging deadline of April 2024 for Public Service Pension Schemes. In addition, the consultation also made a number of technical recommendations relating to data requirements, which were largely targeted at Pension Scheme Administrators.

8.2 The SABW were invited to discuss whether they felt that the issues around the staging deadline had been fully addressed and whether the revised deadline of April 2024 was now achievable. NS confirmed that should Members require a full SABW response to be submitted, the Secretariat would be heavily reliant on feedback from Scheme Administrators on technical aspects of the consultation in order to draft a consultation response. KJ advised that their pension scheme administrator (Rhondda Cynon Taff County Borough Council) had confirmed that they would not be responding to the consultation as their software provider, Aquila Heywood, were closely involved in the development of the Dashboard.

8.3 CH informed that the SABE were currently drafting a response to the consultation as Members had expressed concerns that the staging deadline of April 2024 may not be achievable, as the first set of pension statements following implementation of the McCloud remedy would not have been issued by this date. As a result the information contained on the dashboard would be incomplete as the information would be limited to pre remedy calculation resulting in the Dashboard

potentially losing credibility amongst firefighter pension scheme members. Instead, the SABE proposed that the Firefighter Pension Schemes should be categorised as a medium pension scheme. Firefighters' pension schemes were managed locally by individual FRAs, and this meant that membership by scheme manager was low, often less than a 1000 members. Being treated as a medium sized scheme would result in staging commencing from 31 October 2024 with a deadline of 30 April 2025. This would allow Firefighter Pension Schemes to provide more credible data to the dashboard.

8.4 CH suggested that, given the consistency in views, a joint SABE/ SABW response to the consultation may be effective. Members agreed that a joint response should be submitted to PDP which outlines the concerns around staging in particular. CH confirmed that she would provide a draft SABE response to the Secretariat by 8 March which would be circulated to SABW Members for agreement.

**Action: Secretariat to liaise with the LGA on a joint SABE and SABW response to the PDP consultation on the draft Pension Dashboard Regulations.**

## **9. AGENDA ITEM 9 - LOCAL PENSION BOARD UPDATES**

9.1 The Chair invited Claire Hey to provide an update on LGA and SABE discussions. CH advised that the SABE had submitted an open letter to HM Treasury regarding the withdrawal of Immediate Detriment guidance to request more information on the risk and uncertainties of processing claims.

9.2 CH also advised Members that on 25 November 2021, the Pension Ombudsman made a determination regarding abatement of pension benefits. In light of the ruling, the LGA had sought advice from the SABE's Legal Advisor on the determination and whether the FRAs should consider changing their policy on abatement. Currently, the FRA adopted a blanket policy which stipulated abatement would apply, with no discussions taking place in relation to the circumstances where abatement would not apply. The SABE legal advisor confirmed that it would have been acceptable for the policy to state that only in exceptional circumstances would abatement not apply, but even then, the FRA would need to show on a case-by-case basis that consideration had been given as to whether any exceptional circumstances existed. The LGA were currently updating guidance on this issue and a further update would be provided in the next LGA Bulletin published in February.

9.3 The LGA advised that they had launched a survey to establish the FRAs position on immediate detriment. Welsh FRAs had been omitted from the survey previously, however, following a discussion with Members the LGA agreed to forward the survey to the Welsh FRAs following the meeting. Responses were required by 4 March.

9.4 **North Wales FRA** - At the meeting on the 21 October 2021, the LPB had discussed the processing of Immediate Detriment cases, which had been paused pending a financial risk assessment. The Scheme Administrators, Dyfed Pension

Fund, had provided an update on the administration of the Firefighter pension schemes, covering recent activity relating to the End of Year Data, Data Quality Reports and My Pensions Online. The next LPB meeting would take place in March.

**9.5 Mid and West Wales FRA** – Training on the General Data Protection Regulations & Cyber Security had been provided at the meeting on 1 November 2021. An update had also been provided regarding the processing of Immediate Detriment cases, which had been paused pending Fire Authority agreement. The LPB had also reviewed its Terms of Reference. The next meeting was scheduled to be held in April.

**9.6 South Wales FRA** – During the LPB meeting on 23 February, the Board had discussed the preparations for processing Immediate Detriment cases, at present only category 1 claims were being paid. Scheme Administrators had also attended the meeting to discuss key performance data and any issues arising from the administration of the pensions schemes. An update on Annual Benefit Statements had also been provided. The LPB had also reviewed its Terms of Reference, with particular focus on quorum requirements.

**9.7** The Chair suggested that training by The Pension Regulator (TPR) around Terms of Reference and quorum requirements could be provided at the pensions training event later this year.

**Action: LGA to forward a link to the FRAs to the Administrator Survey following the meeting.**

## **10. AGENDA ITEM 10 - ANY OTHER BUSINESS**

**10.1** KC advised that it was anticipated that the next SABW meeting would take place in June, the Secretariat would email Members to ascertain their availability. The training event referred to earlier in the meeting would also be scheduled during the summer in readiness for a SABW meeting in September, which was likely to focus on the 2020 Valuation assumptions.

**10.2** Members were informed that the secretariat were currently reviewing the way they managed personal information in line with GDPR. To date the Secretariat had sent emails to Members with all e-mail addresses visible rather than blind copying. This was because Members were known to each other in a professional capacity and no personal e-mail addresses were being used. In addition to emails relating to the SABW, Members' email addresses were also included on pension circular distribution lists and occasionally shared with colleagues in other government departments so that Members could be invited to various events. In order to ensure compliance with GDPR, Members were asked to confirm whether they were content for their email addresses to continue to be shared in this way. No members raised any concerns with this approach, however KC requested Members contact the Secretariat directly if they wished to be blind copied in future correspondence.