



## AGENDA ITEM 1 – WELCOME AND INTRODUCTIONS

1. The Chair welcomed everyone to the meeting, particularly Stuart Millington who had replaced Richard Fairhead as the employee representative for the Fire Leaders' Association. Apologies were presented for Natalie Spiller.
2. Members confirmed that they had no conflicts of interest to declare.

## AGENDA ITEM 2 – MINUTES FROM THE LAST MEETING (4 May 2023) AND MATTERS ARISING

3. The Chair referred to the minutes of the previous meeting held on 04 May and invited members to agree them for accuracy. No comments were made and the notes were agreed as a true record.
4. The Chair explained that due to time constraints, an update on matters arising would be deferred until the next meeting. Kerry Citric added that an update on actions from the last meeting had been provided as part of the minutes.

## AGENDA ITEM 3 – UPDATE ON AGE DISCRIMINATION REMEDY CONSULTATION

5. Steve Pomeroy thanked the SABW collectively and the individual organisations represented, for their detailed responses to the Welsh Governments consultation on [amendments to firefighters' pension schemes in Wales](#) which had closed on 23 June.
6. The responses had identified some broad concerns, as well as some errors and inconsistencies between the consultation document and the draft regulations, but overall respondents had agreed with the proposals.
7. The Welsh Government had reflected on the responses and had re-instructed drafting lawyers, with a view to providing the finalised regs to the Deputy Minister for Social Partnership and HM Treasury by mid to late August. The Firefighters' Pensions (Remediable Service) (Wales) Regulations 2023 were to be made and laid in the Senedd by early September, so that they could come in to force by 1 October 2023.
8. The Chair thanked the SABW and the Secretariat for their contributions to the consultation and invited Elena Johnson to provide an update on the position in England. EJ advised that the Home Office had published its [response](#) to its own consultation on retrospective remedy and the English [Regulations](#) had been laid in Parliament on 20 July. EJ highlighted some changes which had been made to the English Regulations following feedback to the consultation. These included:-

- Clarity on ill health retirements, to include dismissal cases on disability grounds;

- Timings for scheme members to make their decision, reduced to at least 3-6 months prior to retirement; and
- Provision for a periodic contribution arrangement over 14 years for those wishing to back opt-in.

9. SP thanked EJ for the summary and added that whilst the overall scheme regulations were similar across the UK, there remained some differences in approach between the Welsh Government and the Home Office and other devolved Governments. An example of this was in respect of repayment of deficit in contributions. The proposed approach in Wales was to allow a member to immediately pay any contributions deficit by a lump sum or by making periodic payments over a 10-year period (which had reflected the approach taken for the payment of contributions by special members of the 2007 scheme i.e., the modified scheme). This approach differed to the approach taken by the Home Office, which would allow members to pay by lump sum only, either immediately, or at retirement out of their retirement lump sum.

10. SP pointed out that the difference in approach in contribution repayments, and the impact this might have on scheme administration, had been raised in the feedback to the consultation, but Welsh Government believed that this was a simple administration issue which would involve sharing information between services. Welsh Government officials had explored possible issues caused by other differences and had agreed with colleagues in the Home Office and the other devolved Governments to work together to resolve any issues that could not be resolved by scheme managers or administrators. FRAs were invited to bring those to the attention of officials if and when they arose.

#### **AGENDA ITEM 4 – CONSULTATION ON RDS FIREFIGHTER PENSIONS’ SECOND OPTIONS EXERCISE**

11. A link to the Welsh Government’s consultation on [Pension entitlements for retained firefighters 2023](#) had been circulated to SABW members on 14 July. KC explained that the key elements of the consultation were consistent with the proposals that had previously been discussed with the SABW and largely reflected the approach taken by the Home Office.

12. The consultation set out the two categories of retained firefighters eligible for the remedy:-

- Individuals whose RDS firefighter service straddled the operative date of 7th of April 2000, and;
- Individuals with RDS firefighter service between 7 April 2000 and the previous cut-off date of 30 June 2000. This included individuals who should have been entitled to participate in the first options exercise but were not given that opportunity.

13. Provision would be made by making amendments to the existing Modified elements of the 2007 scheme, including adjusting the eligibility criteria. The consultation included proposals on assumptions about historic pay and service data.

Where pay records were not available, it was proposed that FRAs would apply an assumption of 25% of pay of a wholetime firefighter.

14. The Welsh Government was particularly interested in the SABW's views on its proposals regarding repayment of contributions. The Welsh Government proposed that for any service post 2000, periodic payments were to be made over 10 years, but for pre-2000 service, the payments were to be made over 10 years, plus half the length of service being purchased. This differed to the approach taken by Home Office for pre-2000 service which proposed periodic payments over 20 years. In both models, any remaining amount owed at retirement would be paid out of a members lump sum.

15. The SABW was asked to consider whether there was value in a SABW response to the consultation and if so, the approach to be taken in submitting that response. The next meeting of the SABW was likely to be scheduled for the first half of October which would not provide for a further detailed discussion before the formulation of a collective response by the closing date of 6 October. The Chair invited members to set out their views:-

**North Wales FRA** – The consultation had been circulated to staff and the Local Pension Board. An individual response would be submitted by the FRA which they were happy to share with the SABW, if it would help provide a collective view.

**Mid and West Wales FRA** – An individual response would be submitted by the LPB. The FRA did not feel that a response from SABW was necessary in addition to individual responses from the bodies that made up its membership.

**South Wales FRA** – An individual response would be submitted by the FRA. Due to the time constraints, the FRA did not feel that a response from SABW was necessary.

**Fire Brigades Union** – The FBU would submit its individual response to the Welsh Governments consultation, and to the consultations launched by UK Government and other administrations. The FBU was happy to share a copy of its response with the SABW, however, the timing of doing so was dependent on workload.

**Fire and Rescue Services Association** – An individual response would be submitted by the FRSA, which they were happy to share with the SABW.

16. Tristan Ashby referred to the eligibility for those not given the opportunity to participate in the first options exercise and queried whether it included those members who had been given the opportunity but had not been provided with the correct information. KC confirmed that initial proposals had not provided for that scenario and asked the FRSA to raise the matter in their consultation response so it could be considered further. TA advised that they had become aware of many cases where members were provided with limited information during the first options exercise, which had impacted on their decision, and agreed to set this out in their response.

17. KC explained that the SABE secretariat was independent of government and was therefore able to provide its own independent view for members' consideration. The secretariat function for the SABW was undertaken by Welsh Government, who therefore could not provide a similar independent draft response for members consideration, because they were themselves the authors of the consultation. The SABW would only therefore be able to identify any common themes in members individual responses and reflect these in a combined response. The Chair indicated that he would consider the responses received and decide whether there were enough consistent views and emerging themes to make a SABW response add value. Individual organisations would need to submit their responses by 22 September to allow time for the Chair to consider their content, and for a SABW combined response to be prepared and agreed by members if required, prior to any final response being submitted by the consultation closing date of 6 October.

**ACTION: SABW members to provide comments/ their individual responses on Welsh Government's consultation on RDS Firefighter Pensions Second Options Exercise to the Secretariat by the 22 September.**

**ACTION: Chair and Secretariat to consider whether a combined SABW response would add value and, if so prepare such a response for submission by the consultation closing date of 6 October.**

## **AGENDA ITEM 5 – 2020 VALUATION ASSUMPTIONS REPORT**

18. Samantha Watts and Brian Allen from the Government Actuary's Department presented GAD's advice on assumptions. The presentation was split into 2 sections of advice on assumptions; the first covering the standard scheme-set assumptions that were the responsibility of Welsh Ministers and the second providing advice and seeking input into assumptions that would need to be included in the valuation to cover the RDS second options exercise (Matthews/O'Brien).

19. SW pointed out :-

- There were 8 core assumptions set by Welsh Ministers, mortality after retirement, retirement ages, proportion commuted, rates of leaving service, rates of ill-health retirement, promotional pay increase, mortality before retirement and family statistics. Other, usually financial, assumptions were set by Treasury, including the SCAPE rate.
- Treasury assumptions had the highest impact on both employer rate and the cost cap mechanism. Due to economic adjustment the increase resulting from the SCAPE rate would override the cost cap calculations in this instance.
- The assumptions set by Welsh Ministers would therefore impact most on the employer contribution rate and that was the focus of GAD's presentation.
- The assumptions set by Welsh Ministers had medium, low or very low impact on the employer rate.
- The presentation set out the detailed analysis that GAD had undertaken and provided a recommendation for each assumption.

- The presentation also set out where and why in some instances GAD's advice was based on broader English scheme analysis.

20. The SABWs input was sought on these recommendations and once these had been considered the Welsh Government, based on GAD's advice, would decide on the final assumptions to take effect. These assumptions would then be used by GAD to determine the valuation results, including new employer contribution rates which would be introduced from April 2024. It was expected these would be in place until April 2027 when the results of the 2024 valuation would take over.

**- Mortality After Retirement**

21. SW indicated that the mortality after retirement rate was the most important rate set by Welsh Ministers although the recommended change was small. Base line mortality rates were scheme set but future mortality improvements were set by Treasury based on ONS 2020 population projections. GAD recommended setting a single baseline mortality assumption for normal health, current and future ill health pensioners and for male and female members, assuming all members experience male mortality, and assuming that all dependents experience female mortality. GAD's recommendation was that the assumption be based on S3 standard mortality tables fitted to scheme experience and that the Scheme in Wales continue to be aligned to the assumption for the scheme in England. This was because there was limited experience data available for the scheme in Wales. This approach was consistent with that taken at the 2016 valuation.

22. In the 2016 valuation the SABW asked how English and Welsh mortality compared. GAD had analysed the data for general population mortality at page 28 of the presentation. Overall population mortality in Wales was generally slightly higher than it is in England, but GAD thought it was reasonable to assume that, for members of the firefighter workforce there would be no material difference between a firefighter in England and a firefighter in Wales.

23. At the 2016 valuation the SABW had also asked for the male female split to be kept under review. SW indicated that less than 1% of the pensioner population in Wales was female and that it was expected to be a long time before there were sufficient numbers of female pensioners and deaths to analyse mortality for female separately.

24. The baseline mortality figure set by Welsh Government did not include any allowance for COVID because it was based on 2016-2020 data, COVID was though taken into account in HMT's future mortality improvement assumption.

**- Proportion Commuted**

25. For the 1992 and Modified schemes GAD proposed assuming no commutation (the amount members take as a cash lump sum on retirement). This was because commutation for these schemes was effectively cost neutral.

26. The assumption for the 2007 and 2015 schemes, and mixed 2007/2015 schemes had previously been set by HMT. There was not enough retirement evidence available in the firefighter schemes and so GAD proposed using experience from some of the larger public sector schemes that have a 12:1 commutation rate. GAD proposed an increase in the assumption of proportion commuted from 17.5% to 20%.

27. For mixed 1992-2015 and mixed modified scheme/2015 scheme service, members get a commutation rate of around 20:1 in the legacy scheme and 12:1 in the 2015 scheme. GAD recommend increasing the proportion commuted from 8.75% to 12% of their 2015 Scheme pension. This was based on average experience from other larger schemes, but also on evidence from both the England and Wales firefighter schemes that indicated that members were prepared to incur a tax charge when commuting pension for cash. SABW had indicated in their response to the 2016 valuation that they expected members to take this position.

**- Retirement Ages**

28. SW indicated that for the 1992 scheme the 2016 valuation had included separate expected retirement rates for protected and unprotected members, and for unprotected members between those with 16 or more years service and less than 16 years service. For the 2020 valuation GAD recommended that the 2016 valuation rates for protected members be applied to all 1992 scheme members (a retirement age of 53.6 and 28.6 years of service).

29. For 2007, modified scheme and 2015 scheme membership there was insufficient experience data to recommend any change in the assumptions used at the 2016 valuation. Those were expected age retirement of 60 in the 2007 scheme, 55 in the modified scheme and 58.8 in the 2015 scheme (assuming 25% retire at 55 and the remainder retire at 60).

**- Rates of Leaving the Service**

30. SW indicated that data for the firefighter schemes in England was being used for this assumption because the numbers in Wales were too low. At the 2016 valuation it had been assumed that the increase in withdrawal of members with more than 2 years' service between 2012 and 2016 might not be indicative of future withdrawals and therefore the 2012 assumption had been maintained. However experience between 2016 and 2020 did show a sustained increase in withdrawals. This was in line with SABW's comments at the last valuation where members weren't convinced that this was a short term change. The proposed assumptions were 16.6% for 1992, 2007 and 2015 Wholetime members, and Modified scheme members, and 33.8% for 2007 and 2015 RDS members. SW asked members for their views and evidence on withdrawal patterns, particularly for RDS in Wales.

31. HM commented that the proposed withdrawal rate seemed consistent with the experience in North Wales FRS. The service were continuing to work on improving retention rates and where the service managed to retain particularly RDS firefighters for more than 2 years then they were more likely to stay in service. However retention was becoming increasingly difficult, probably because of family

commitments and primary employment issues, so it was likely that RDS rates of leaving would continue to be higher than wholetime. The benefits of the pensions scheme were though becoming more apparent so this could be a balancing factor.

- **Promotional Pay**

32. SW reported that no change was proposed for the assumption on promotional pay. Members noted that the assumption was becoming less important over time because future costs were on a CARE basis. The biggest impact related to past service costs but the assumption impact was minimal.

- **Rates of ill-health retirement, mortality before retirement and family statistics**

33. SW indicated that GAD were not recommending any changes to the assumptions for ill-health retirement, mortality before retirement and family statistic.

- **Assumptions for the RDS Second Options Exercise (Matthews/O'Brien)**

34. BA introduced GAD's proposals regarding assumptions for the RDS Second Options Exercise. He thanked the FRAs for providing their data on the first options exercise from 2015-16, and to Mid and West Wales FRA in particular for their additional data on individual O'Brien eligible RDS firefighters.

35. BA noted that because the Welsh Government had made a public commitment to implementing a second options exercise through the publication of its consultation, it was appropriate that an allowance for the additional pension benefits that would be payable to members to be reflected in the 2020 valuation. Due to the long time periods involved and the fact that RDS firefighters have historically been a large and important part of the firefighter workforce in Wales, the allowance made for the exercise would be quite a significant element of the employer contribution rate set as a result of the valuation. BA pointed out that assumptions for O'Brien wouldn't need to be included in the next valuation as the second options exercise would be completed by then and actual data could be used.

36. GAD proposed assumptions in four areas for the second options exercise based around the number of eligible firefighters, firefighter profile, pay history and take up rate.

37. The first three of those were relatively straightforward and GADs recommendations were based on FRA staffing data and pay history. GAD recommended a figure of 1,700 RDS firefighters eligible to take part in the second options exercise, a pattern of employment and birth dates based on the individual data provided by Mid and West Wales FRA, and a pay assumption of 25% of wholetime reference pay. The latter was included in the Welsh Government consultation and was informed by GAD analysis of the Mid and West Wales data.

38. SABW members did not have any initial views or comments on these first three recommendations.



- **Assumption on O'Brien Take Up Rate**

39. BA indicated that the take up rate was a key consideration in determining cost. GAD's recommendations for the first three O'Brien assumptions were based on existing data and information, but there was no data for the take up rate. Although GAD had to include a take up assumption, BA acknowledged that any assumption would almost certainly be an estimate and would require an adjustment to be made at the next valuation.

40. For that reason GAD had not made a specific recommendation for this assumption but were seeking specific evidence and advice from the SABW. The presentation therefore provided 2 potential scenarios. The first was based on applying experience from the first options exercise which resulted in an overall assumed take up rate of 30%. The second used a number of other views and assumptions, including the fact that there was evidence of start dates for all members, and that the cost of living crisis might increase take up. GAD had reflected one possible balance of these factors as an overall 75% assumed take up rate, but this was just one example of the scale of adjustment that could be made. Both examples made an assumption that 100% of those that took up the first options exercise would also take up the second.

41. SP reiterated the great uncertainty involved in setting a take up factor because of the lack of data, particularly with the potential lack of evidence of employment. Where payroll and employment records no longer existing, employees themselves would need to provide this evidence.

42. BA referred to a number of matters that members might want to consider :-

- The overall take up of the first options exercise reported by the FRAs was 18%.
- There was little difference between the take up rate for those aged under 55, or those aged 55 or based on the Mid and West Wales data (although figures based on analysis outside of Wales showed a higher take up for retired members).
- The second options exercise was a substantially different offer than the first, and more of those eligible members would now be over 55.
- Levels of engagement/co-ordinated communications were higher this time.
- As set out above current cost of living issues and the economic circumstances of eligible individuals might influence their decisions.

43. Members made the following observations :-

- HM indicated that in North Wales FRS it felt as though there was more interest in the second options exercise than there had been in the first, with some firefighters coming forward to say that they wished they had taken up the option the first time around. A retiring firefighter whose start date was 1975 had recently made enquiries. It was noted that the Mid and West Wales FRS data included some similar start dates.

- AR reported that around 460 people were eligible in South Wales and the earliest employment date they held was 1968. South Wales FRS had had some, but not a significant number of, enquiries even though they had put comms out. AR felt it was therefore safe to assume that there was not going to be a huge increase in take up compared to the first options exercise.
- MR said that the FBU had provided the NJC with pay rates from 1960 to 1978 to provide details for reference pay. The FBU were seeing a lot of interest already and would be issuing communications on the exercise in due course. There was also interest in the default position of 25% of reference pay where payslips were not available with some evidence that some RDS stations attended more calls than wholtime stations.
- TA echoed some of the comments already made. He felt that there would be a significant increase in interest this time not least because a lot of eligible individuals would already have retired and so would have immediate access to pension benefits.
- KJ pointed out that whilst the FRAs were undertaken communications work to reach out to eligible individuals they would only be able to write to an individuals last known address. Given the timeframe being covered there was a potential large gap in accurate member contact information that could impact on member take up.
- SP rounded off the discussion by indicating that, because there was such a high degree of uncertainty about take up, the Welsh Government's preference would have been to include the second options exercise in the next valuation. However advice had indicated that such an approach might be unlawful. However taking on board the presentation from GAD and the feedback from members there was still a large potential range within which a take up assumption could be made. As the assumption would influence employer contribution rates for the next 3 years the Welsh Government would need robust information to support an assumption that was within the range between the two examples provided by GAD. If there was no firm evidence an assumption based on previous experience was probably the most robust position to take which was what Scenario 1 in GAD's slides provided.
- SW clarified that the higher the assumed take up rate was the higher the employer contribution rate would be. GAD would only know the actual costs of the exercise once it was completed and the 2024 valuation was undertaken. The contribution rate in 2027 would have to be refined to take account of that, with contributions made between 2024 and 2027 effectively being "banked" and taken into account in the valuation then. Setting the rate too high at this stage could mean that the employer rate would be increased unnecessarily and would need adjusting at the next valuation, and might add some volatility to the employer rate over the next two valuation cycles.

44. Members were invited to provide further comments and evidence in writing to the secretariat by 18 August in order that a formal SABW response could be provided to the Welsh Government before the end of August.

**ACTION : Members to provide further comments and evidence on the 2020 valuation assumptions to the secretariat by 18 August.**

**ACTION : Secretariat to draft a response to the Welsh Government by the end of August.**

**AGENDA ITEM 6 - Consultation on proposed amendments to scheme regulations to amend errors in HM Treasury Revaluation Orders 2021 & 2022 – FPSABW(23)07**

45. SP explained that pensions are updated every year, in line with HM Treasury directions. HM Treasury had published a [Written Ministerial Statement](#) dated 6 July, which had advised of an error in their Revaluation Orders for 2021 and 2022. The figures used had been based on Office for National Statistics (ONS) estimates for Average Weekly Earnings (AWE), rather than the revised ONS figures. This had resulted in the accrued pension of 2015 scheme members, being undervalued by around 0.6%.

46. HM Treasury could not amend the figures themselves, and the Welsh Government as the responsible authority, would need to amend the 2015 Scheme Regulations to ensure members' accrued pension is uplifted by the correct level.

47. SP added the importance of members accrued pension being revalued correctly prior to, or alongside FRAs' implementation of age discrimination remedy to ensure Remedial Service Statements (RSSs) are accurate. As the amendments were time critical, the Welsh Government would not undertake a public consultation on this matter. Instead, the Welsh Government was inviting the SABW to consider the amendment to correct the revaluation errors, under the consultation requirements of the Public Services Pensions Act 2013. It was proposed that the necessary amendments be included in the age discrimination remedy regulations .

48. All SABW members (both employer and employee) were content with the approach to the consultation and the proposals to correct the error.

49. KJ raised concerns about the impact the error would have on immediate detriment cases that had already been processed. It was agreed that the FRAs would need to revisit the calculations provided to immediate detriment members as the information they had based their decision on was likely to have been incorrect.

50. EJ added that the revaluation error had affected the English fire scheme. The Home Office had encouraged scheme administrators to undertake the scoping exercise as soon as possible to ensure immediate action could be taken once the regulations came into force.

51. MP queried the cost implications the error would have on schemes. KC confirmed that the increased value of pensions resulting from the annual uplift correction would be included in the 2020 valuation process and reflected in new employer rates, to be introduced from April 2024.

**AGENDA ITEM 7 - Any Other Business**

52. The SABW had previously discussed the need to hold an 'in person' meeting. The Chair believed it would be beneficial for members to have an in person meeting and sought views from members. Members agreed that meeting collectively would be beneficial, however they would like the option of attending virtually for those members where travel meant attendance in person was more difficult.

53. The Chair suggested that an in person meeting in October when the final valuation results would be available for discussion.

**ACTION: Secretariat to confirm details of next meeting once clarity regarding timing of the Valuation report is received.**