

Firefighters' Pension Scheme Advisory Board for Wales

11 December 2024

Microsoft Teams

<p>Actions from meeting on 4 May 2023</p> <p>AGENDA ITEM 3 - CONSULTATION ON REMEDYING AGE DISCRIMINATION IN FIREFIGHTERS' PENSIONS IN WALES 2023.</p> <ul style="list-style-type: none"> • Welsh Government to consider effect of WASPI legal action on deferred pension entitlement. 	<p>Ongoing.</p>
<p>Actions from meeting on 03 November 2023</p> <p>AGENDA ITEM 3 – SCHEME DATA</p> <ul style="list-style-type: none"> • Secretariat to merge and analyse opt out data in order to ascertain whether there were clear trends emerging and provide an update at a future SABW meeting. 	<p>Ongoing. Work is currently underway to merge a period of opt out data so that trends can be more easily identified. An update will be provided at the next meeting.</p>
<p>Actions from meeting on 30 April 2024</p> <p>AGENDA ITEM 3 – 2020 FINAL VALUATION RESULTS</p>	

<ul style="list-style-type: none"> Secretariat to clarify with HM Treasury whether or not the scheme would be required to achieve the yield of 13.2% over a 3 or 4 year period. 	Ongoing. Awaiting clarification from HMT
<p>Actions from meeting on 11 December 2024</p> <p>AGENDA ITEM 3 - WELSH GOVERNMENT'S CONSULTATION ON CHANGES TO THE EMPLOYEE CONTRIBUTION RATE STRUCTURE</p> <ul style="list-style-type: none"> Secretariat to commission a further illustrative example from GAD and share with Members for consideration. Secretariat to circulate the draft SABW consultation response to members for agreement ahead of submission to the Welsh Government by 4 February. Secretariat to seek clarity from HM Treasury whether or not the scheme would be required to achieve the yield of 13.2% over a 3 or 4 year period and whether an implementation date of 1 July 2025 would be sufficient. <p>ITEM 8 – ANY OTHER BUSINESS</p> <ul style="list-style-type: none"> Secretariat to arrange a further meeting in February to discuss the outcome of the consultation on changes to the employee contribution rate structure. 	<p>Complete. Email sent to Members on 20 December.</p> <p>Complete. SABW Response submitted to the Welsh Government on 3 February.</p> <p>Ongoing. Awaiting clarity from HM Treasury.</p> <p>Complete.</p>

Note of Meeting

Present

Michael Prior

Chair

Employee Members

Ade Robinson

Fire Officers Association

Tristan Ashby

Fire and Rescue Services Association

Gareth Tovey

Fire Brigades Union

Employer Members

Cllr Kim Broom

Mid and West Wales FRA

Cllr John Brynmor Hughes

North Wales FRA

Alison Reed

South Wales FRA

Others in attendance

Mark Miles

Mid and West Wales FRA

Nicola Westcott

Mid and West Wales FRA

Rebecca Marfleet

North Wales FRA

Helen MacArthur

North Wales FRA

WG Officials

Steve Pomeroy

Welsh Government

Steffan Herdman

Welsh Government

Natalie Spiller

Welsh Government

APOLOGIES

Claire Johnson

Local Government Association

Tara Atkins

Local Government Association

Sara Sedgwick

Local Government Association

Mydrian Harries

Mid and West Wales FRA

Sarah Tilmann

Mid and West Wales FRA

Kim Jeal

South Wales FRA

Stuart Millington

Fire Leaders' Association

Mark Rowe

Fire Brigades Union

1. AGENDA ITEM 1 – WELCOME AND INTRODUCTIONS

1.1 The Chair welcomed everyone to the meeting, in particular Gareth Tovey who was attending on behalf of the Fire Brigades Union and Julia Thompson (South Wales FRS). Members were informed that the meeting would be recorded in order to

assist with the minutes and deleted following members agreement of the accuracy of the minutes.

1.2 Apologies were presented for Tara Atkins, Sandra Sedgwick, Mydrian Harries, Stuart Millington, Mark Rowe, Kim Jeal, Sarah Tillman and Claire Johnson.

1.3 Members confirmed that they had no conflicts of interest to declare. However, Gareth Tovey advised that as an operational crew manager he had a vested interest in the change to employee contribution rates which should be formally noted.

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 8 July and invited members to agree them for accuracy. The note was 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. NS informed members that the Secretariat was currently undertaking an exercise to combine opt out data for a range of years so that any discernible trends could be more easily identified. An update would be provided at the next SABW meeting. No further comments were provided.

3. AGENDA ITEM 3 – WELSH GOVERNMENT'S CONSULTATION ON CHANGES TO THE EMPLOYEE CONTRIBUTION RATE STRUCTURE

3.1 The Chair advised Members that the Welsh Government had published their consultation on proposed changes to the employee contribution rate on the 12 November. The aim of the change was to increase contribution rates within the firefighters' pension scheme in order to achieve the target yield of 13.2 %. Members had already discussed overarching principles for change at a previous SABW meeting which had been reflected within the consultation document. Members were asked to provide views on the consultation document which would inform a detailed SABW response to the Welsh Government.

3.2 Steve Pomeroy advised Members that although the Welsh Government were required to increase the employee contribution rate to achieve the target yield, the Welsh Government were very open to ideas and suggestions from scheme members and their representative bodies as to which method should be adopted to ensure that the increase was equitable to all scheme members. In addition, the structure also needed to be easily deliverable by scheme managers. SP reiterated that the illustrative examples within the consultation were for reference only to initiate discussions and were not definitive, they could be amended by the Government Actuary's Department relatively quickly if required. Members were requested to share feedback on the questions outlined in the consultation document so that a collective SABW response could be provided. Individuals were reminded that they could also provide a separate response to the consultation on behalf of their respective organisations if they wished.

3.3 SP recapped on the underpinning principles that were agreed by Members as being fundamental to the scheme and should be reflected within the new structure:-

- Contributions should be affordable, and the changes should not induce members to opt out of the scheme
- Rates should be structured in favour of lower paid scheme members.
- Rates should not discourage career progression
- The contribution rate structure should be future-proofed
- The system should be straightforward to administer

3.4 In addition, SP advised that due to an increase in pay awards since the scheme was introduced there were no longer any firefighters' in Band 1, so effectively the scheme had become a 3 tiered structure. Over time this had subsequently resulted in the scheme become less beneficial to the lowest paid scheme members. Thus, a revised structure was required in order to ensure the scheme remains affordable for all.

3.5 SP set out the proposals contained in the consultation document as follows:-

- **Option 1** - adjust current contribution rate bands as they currently were to achieve the target yield. If this approach was adopted, all members' contributions would increase by 0.19%, which would equate to around £72 per year for a wholetime firefighter and £164 per year for an Area Manager. However, this approach would miss opportunities to make the system fairer and more robust.
- **Option 2** - apply the contribution rate on a marginal basis, which would be similar in principle to how income tax is calculated. Under this system, all members would pay the band 1 rate of contributions on the proportion of their salary up to the top of band 1, the band 2 rate of contributions on the proportion of their salary between the top of band 1 and the top of band 2, and so on. This would moderate the distorting effect of pay on promotion and of some pay awards and meant that the effective contribution rate increased gradually as salary increased, rather than on a stepped basis.
- **Option 3** – this option would link contributions to the grade structure set out under Section 3 of the Firefighters Terms and Conditions of Service (“the Grey Book”) rather than by financial banding. The model would be split into 4 bands, Firefighter; Crew Manager / Watch Manager; Station Manager / Group Manager; and Area Manager and above. As now, employee contribution rates would increase in line with grade progression, such that Firefighters would pay the lowest rate and Area Managers and above would pay the highest. Linking contribution rates to grade would provide a clear and easy to understand structure that firefighters were already familiar with and also the pay structure would be future proofed. In addition, the Wesh Government proposed that all RDS firefighters would be placed in to Band 1 alongside wholetime firefighters, thus ensuring the lowest paid scheme members are protected.

Option 4 - currently, members of the Firefighters' Pension Scheme paid contributions based on the band in which their pensionable pay or assumed pensionable pay fell into. This included their basic salary and allowances which are pensionable for the purposes of the Scheme¹. For part time or retained duty firefighters, the contribution rate was based on what an individual would have received if they were wholetime (wholetime equivalent), but contributions were only deducted from the pay an individual actually receives. The Welsh Government had considered whether the approach should be changed to use actual annual rates of pensionable pay instead of wholetime equivalent salary. This would result in many retained duty / part time firefighters moving down to the lowest contribution rate band. This could benefit such members as it would result in lower contribution rates for many. However, this would have the reverse effect of what is required, in that it would drive the yield further downwards. That in turn would mean contribution rates would have to rise still further for all firefighters, including those employed on retained duty terms.

3.6 SABW Members confirmed that they did not think that Option 2 would be a viable option, as the FRAs would find it difficult to administer and as a result there would potentially be a delay in scheme members receiving their Remedial Service Statements. In addition, Members discounted Options 1 and 2 as they would not be future proofed and therefore a further exercise of this nature would be required. Members advised that they felt Option 3 would be preferred as it was easily understood by scheme members and allowed for future proofing. However, members were concerned that the increases in the contribution rates as set out in the illustrative example within the consultation was disproportionate between grades and created "cliff edges". Members raised concerns that the current example showed a nominal decrease in contributions for the lowest paid scheme members whilst the remaining bands, particularly supervisory managers and above would be paying a significantly higher rate. This could result in members being discouraged from seeking promotion and also result in an increase in opt outs from the pension scheme.

3.7 SP advised that the example set out in the consultation was for illustrative purposes only and that further work could be undertaken by the Government Actuary's Department ("GAD") to smooth the contribution rates across all bands to remove the large steps, whilst still achieving the target yield of 13.2%. The Chair reiterated that the purpose of this exercise was to increase contribution rates across the scheme to ensure the target yield was met at the next valuation exercise, it was not intended to provide a pay rise for the lowest paid scheme members. SP agreed and advised that this could potentially be rectified if the contribution rate for Band 1 was frozen at the current rate of 12.9% of pensionable pay and the contribution rates for the remaining bands were equally applied to achieve a yield of 13.2%. It was anticipated that this would reduce the contribution rates for the remaining bands thus removing any "cliff edges". Members agreed that this approach sounded reasonable.

¹ As a general rule, allowances that are paid permanently or indefinitely are pensionable; but temporary or fixed-term allowances like overtime or temporary promotion payments are not.

3.8 Members were advised that the Secretariat would commission a further illustrative example from GAD based on the approach outlined above. This would then be shared with SABW Members for consideration / views following the meeting.

3.9 In addition, Members confirmed that they were content with the Welsh Government's proposal to place all RDS firefighters into Band 1. SP clarified that where an individual held dual contracts, only earnings under the secondary contract would fall into Band 1, contributions in respect of the wholetime contract would be based on pensionable earnings for the wholetime firefighter grade. Helen MacArthur raised concerns about recruiting and retaining RDS staff in general. While she felt that the contribution level was not a disincentive for individuals, she welcomed some further consideration about what could be done to increase interest in the role going forward. SP advised that there had already been wider discussions around the sustainability of RDS at the Social Partnership Forum, and if there was anything to be explored in relation to pensions then a separate meeting would be held to discuss any issues in greater detail.

3.10 SP confirmed that the revised contribution rate structure would be relatively straightforward to introduce and anticipated that the new rate would come into force from 1 April 2025. FRA members advised that this could potentially cause some difficulties as it did not allow sufficient time to communicate with scheme members regarding the changes to the contribution rates and the reasons for the increase. Members felt that introducing the new rates from the 1 July 2025 would be preferred if at all possible so that they could make sufficient preparations.

3.11 MP queried whether HM Treasury had confirmed whether they expected the 13.2% yield to be achieved for the full 4 year valuation period. Given the proposed later implementation date of 1 July 2025 instead of 1 April 2025 such a requirement would mean an additional increase in the rates to account for the shorter timeframe to achieve the required yield for the whole of the valuation period. SP confirmed that he would obtain further clarity on this point, however, if HM Treasury felt that this was an issue it would result in a slight increase in contribution rates to make up the amount of contributions for the 3 month period. The Secretariat would seek clarification on this issue and an update would be provided to Members at the next meeting.

3.12 NS agreed to issue the revised illustrative example to Members once received from GAD. NS anticipated that the draft SABW consultation response would be sent to Members for agreement by the 13 January. Any comments or feedback on the draft document would be required by 27 January, so that the Secretariat could submit the final SABW response to the Welsh Government by 4 February.

Action: Secretariat to commission a further illustrative example from GAD and share with Members for consideration.

Action: Secretariat to circulate the draft SABW consultation response to members for agreement ahead of submission to the Welsh Government by 4 February.

Action: Secretariat to seek clarity from HM Treasury whether or not the scheme would be required to achieve the yield of 13.2% over a 3 or 4 year period and whether an implementation date of 1 July 2025 would be sufficient.

AGENDA ITEM 4: UPDATE ON SARGEANT / McCLOUD IMPLEMENTATION.

4.1 NS advised that the Welsh Government did not have an update on McCloud implementation at this time. The FRAs provided an update on implementation as follows:-

South Wales FRA – Julia Thompson confirmed that South Wales FRA had submitted all data to administrators and Annual Benefit Statements had been issued to members with roll back status. The GAD calculators had also been submitted to administrators who were working to produce Remedial Service Statements. In addition, work was currently underway to collate data with regards to deferred members which would be issued to administrators shortly. Remedial Service Statements were also being prepared in respect of ill health retirements and dependents of scheme members.

Mid and West Wales FRA – Mark Miles confirmed that the final remedy data had been submitted on 6 June to allow the administrators to produce Annual Benefit Statements. Work had commenced on collating data for the GAD calculator and wholetime, taper and unprotected leavers data had also been submitted to their administrator. In addition, the FRA was undertaking work on a number of contingent decisions that have been received.

North Wales FRA – Helen MacArthur informed members that due to a change in payroll system, some historical pay roll issues had been identified. However, these had now been reconciled and the necessary data had been submitted to their administrator. Unfortunately, the FRA has been unable to produce Annual Benefit Statements by the required deadline, The Pension Regulator would be informed of this breach. North Wales FRA were now working towards the statutory deadline of March 2026.

4.2 GT raised concerns that scheme members in England had not been informed that they were no longer going to receive a paper copy of their Remedial Service Statement. Instead, they had been uploaded to an online portal with little to no communication to inform them of this change. Given scheme members had a 3 month limit to respond following receipt of the RSS's this had caused some concern across the border. The FRAs confirmed that it was the default for the RSSs to be uploaded to the online portal, however, an email was generated to each scheme member to inform them that their statements were available.

AGENDA ITEM 5 – UPDATE ON O'BRIEN IMPLEMENTATION

5.1 The FRAs provided the following update on implementation:-

South Wales FRA – JT informed members that 479 letters had been issued to eligible scheme members, however, they were currently missing 260 returns, a tracing company had been enlisted to locate these individuals. 71 calculators had been sent out to pensioners (current and new) and work had commenced on Batch 2. South Wales FRA were confident that they were on track to issue calculators to all eligible scheme members by the statutory deadline of July 2025.

Mid and West Wales FRA – MM confirmed that 702 letters had been sent out to eligible members in February 2024, 78 had since been returned as addressee not located, a tracing service had been enlisted to locate these individuals. To date, 362 expressions of interest had been received to purchase service. Information had also been issued to special members, 20 individuals had responded stating that they wished to proceed. Mid and West Wales FRA were also content that they were on track to meet the target deadline.

North Wales FRA – Helen MacArthur confirmed that all letters had been issued to eligible members on time. To date, 300 individuals had submitted expressions of interest. The team were working through some bespoke cases where individuals have not received correspondence relating to the first options exercise and also where they had mislaid their pay slips and wished to use their P60. Helen was confident that North Wales FRA were on track to meet the statutory deadline of July 2025.

5.2 TA advised members that a case had come to light whereby a past scheme member had been issued with an illustration which showed that their annual pension would be higher if they took a lump sum than if they didn't. The case had subsequently been sent to GAD for advice as this was believed to be incorrect. Further advice as to whether this was an isolated case and what action would be required would be communicated to the relevant Welsh FRA in due course.

AGENDA ITEM 6 – SCHEME DATA / EMPLOYEE CONTRIBUTION RATE YIELD

6.1 Natalie Spiller provided SABW Members with an annual update on pension scheme costs. She explained that the data was provided by the FRAs as part of their FPF Returns and was used to calculate grant funding to FRAs each year to top up the shortfall between income from employer and employee contributions, and payments to pensioners. The information was also fed into updates to the Office of Budgetary Responsibility and the Welsh Government's internal budgeting processes. NS referred to Annex 1, which showed the scheme costs for 2023-2024 period had decreased slightly from the previous financial year.

6.2 Members were also provided with an update on the employee contribution yield (Annex 2). NS advised that the yield had been set as part of the original 2015 scheme design to achieve HM Treasury's aim of protecting the public purse by ensuring funding into the scheme was apportioned between employers and employees. The Welsh Government monitored the employee yield on a yearly basis to monitor whether the target rate of 13.2 % had been achieved. As Members were already aware, the scheme had not achieved the target yield over the previous 4 year period, thus action was required in order to increase the employee contribution rate to ensure the yield was achieved at the next valuation exercise. NS advised that the overall yield for 2023-2024 financial period was currently 12.96%, which was still below the required target. However, it was anticipated that the yield would increase once the new employee contribution rate structure came into effect. The Secretariat would continue to monitor scheme data and provide a further update at a future meeting.

AGENDA ITEM 7 – LOCAL PENSION BOARD UPDATE

7.1 The Chair invited FRA officers to provide an update from recent FRA.

Mid and West Wales FRA – The Board had met on the 27 April and 15 July, during this time the Members had received an update on remedying age discrimination in the Firefighters' Pension Schemes in Wales. In addition, they had also received an update on the RDS Firefighters' pension settlement. A report on the Pensions Regulator Scheme Returns and the Local Pension Board Draft Annual Report 2023/24 had also been discussed. In addition, the Board also received training from the Pensions Regulator and the Pensions Ombudsman.

North Wales FRA – The Local Pension Board had met on the 18 April, 18 July and 1 October. At the meeting of the 18 April, a new Chair was appointed from the Employer Side. The Annual Report for 2023/24 was considered and approved following minor amendments. An update on scheme membership including active and deferred members, those in payment and those eligible to join the scheme who are not currently members was provided. In addition, the Board received updates on legal matters specifically the McCloud and O'Brien judgments. It was noted that significant pressures were being experienced in administering the required changes and annual benefit statements had not been produced for those within scope of remedy. A disclosure to the Pensions Regulator had been made. A review of the risk register was undertaken, and members also received an update on future developments including the Pensions Dashboard.

South Wales FRA – The Local Pension Board met on 3 July and 24 October. A new Chair was appointed in July and members reviewed the Terms of Reference as set out in the Members Handbook. The LPB also received an update on latest information in relation to McCloud and the number of cases processed. It also discussed the current position with regards to O'Brien and the Pensions Dashboard. RCT Pensions representatives attended the October meeting to discuss key performance data and any issues arising from the administration of the pension scheme. Members reviewed the Service Level Agreement and agreed that it should be reviewed annually, the LPB Risk Register was also discussed. Members were made aware of the procedures for resolving internal disputes in relation to pension matters and shared updates on the cases that were considered under the procedure from 1 April 2023 to 31 March 2024.

ITEM 8 – ANY OTHER BUSINESS

Pensions Dashboard

8.1 NS referred to emails that had been issued to Members on 27 September and 31 October which provided an update on the Pensions Dashboard. In addition, Members were advised that The Pensions Regulator's would be sending all scheme managers two surveys at key points in their journey to their 'connect by' date, as set in DWP's guidance. It was likely that Public Service Pension Schemes would have received the first survey by November. NS stressed the importance that schemes complete and submit the surveys, as they provided TPR with useful insights into the FRAs readiness to connect to the dashboard by the staging deadline, and also

helped to ascertain if there were any gaps in awareness and understanding. Further information could be found in the LGA Bulletins. The FRAs advised that they were in the process of preparing for the dashboard staging deadline but did not have a detailed update at this time. A further discussion would be held at the next SABW meeting in February.

Next Meeting

8.2 A further meeting would be required in February in order to discuss the results of the consultation on changes to the employee contribution rate structure. The Secretariat would be in touch in due course to ascertain Member availability.

Action: Secretariat to arrange a further meeting in February to discuss the outcome of the consultation on changes to the employee contribution rate structure.