

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

**27 November 2015, Mid and West Wales Fire and Rescue Service, Llandrindod Wells**

**Minutes**

**Members**

Michael Prior (MP)	Independent Chair
Cllr Tudor Owen (TO)	North Wales Fire and Rescue Authority
Cllr Sylvia Jones (SJ)	South Wales Fire and Rescue Authority
Adrian Hughes (AH)	Retained Firefighters Union
John Salt (JS)	Fire Officers' Association

**Officers in attendance**

Dawn Docx (DD)	North Wales Fire and Rescue Service (NWFRS)
Liz Aitken (LA)	Mid and West Wales Fire and Rescue Service (M&WWFRS)
Phil Haynes (PH)	South Wales Fire and Rescue Service (SWFRS)

**Welsh Government Officials (Secretariat)**

Steve Pomeroy (SP)	Fire Services Branch
Cerys Myers (CM)	Fire Services Branch

**Apologies**

Cllr Wynne Evans	Mid and West Wales Fire and Rescue Authority
Sean Starbuck	Fire Brigades Union
Grant Mayos	Fire Brigades Union, Executive Council Member for Wales
Paul Scott	Fire Officers' Association
Huw Jakeway	Association of Principal Firefighter Officers
Helen Griffiths	Fire Services Branch

**Agenda Item 1 – Welcome and Introductions**

1. MP welcomed everyone to the meeting. CM provided apologies for absent members and acknowledged John Salt was representing the Fire Officers' Association in the absence of Paul Scott. Liz Aitken advised that she was representing Mid and West Fire and Rescue Service and the Association of Principal Firefighter Officers in the absence of Huw Jakeway. John Salt declared that he was a recipient of one of the pension schemes. MP confirmed this was not a conflict of interest.

**Agenda Item 2 – Minutes from last meeting**

2. MP referred to the minutes of the previous meeting held on 1 July and invited members to agree the minutes for accuracy. No comments were made and the minutes were agreed as a true record.

### Agenda Item 3 – Matters arising

3. The majority of actions had been completed. MP explained an update on the actions against the terms of reference, the employee contribution rates yield and the 2016 valuation would be covered by the agenda. Some of the action points were discussed:-

- **Training** - The Board discussed the training delivered by the Local Government Association's Firefighters Pensions Adviser, Clair Alcock, on 4 November 2015. DD acknowledged members from North Wales were unable to attend but advised training requirements would be discussed at the next North Wales Local Pension Board. LA advised that Mid Wales Local Pension Board will tailor the Pension Regulator Toolkit accordingly to reflect members' needs, but referred to the difficulty of confirming members' attendance. MP agreed that parts of the Toolkit will be more relevant than others. PH acknowledged that he had not circulated the training slides referenced at the last meeting. In light of the training session delivered by Clair, the slides have since been modified and will be circulated in due course.
- **Production of an Online Calculator** – SP indicated that whilst the Welsh Government could investigate the production of an online calculator, this would be a very expensive task for the Government Actuaries Department (GAD) to undertake. It would be hard, if not impossible, to produce a calculator which took into account all relevant parameters while remaining easy for scheme members to use. PH agreed and suggested that scheme administrators could look at individual cases but acknowledged that this would add to the existing heavy workload of the scheme administrators. DD and LA referred to the Dyfed Pension Scheme which has an online calculator for the Local Government Pension Scheme. LA suggested the Welsh Government could work with the Department of Communities and Local Government (DCLG) to develop something similar. However discussions took place regarding the benefit of developing a calculator and members agreed that the costs outweighed the benefits.
- **Opt Out Data** – MP explained that the Welsh Government had received some details on opt out data but it was not robust enough for a direct comparison. CM explained that DCLG were reluctant to share figures as the data was incomplete which could provide a misleading picture. Cabinet Office have commented that their opt out rate was 2.6%, but they do not record the reasons for leaving the scheme.
- **Milne v GAD** – MP queried the latest position in respect of the Milne v GAD Pensions Ombudsman case. PH confirmed that South Wales FRA will process payments on 15 December. There were uncertainties regarding the timing of payments for Mid and West and North Wales Fire Authorities. CM explained that the Welsh Government was undertaking much of the preparatory work in advance of receiving the final figures from each of the FRA's so that the FRA's can be reimbursed quickly to alleviate any cash management issues.

**ACTION:** DD and LA to confirm the timings of the compensation payments for their respective FRA's.

#### **Agenda Item 4 – Terms of Reference**

4. MP explained this agenda item followed an action point from the last meeting where concerns were raised about a possible imbalance in the group membership. MP invited SP to introduce the paper FPSABW(15)05. SP explained that the membership of the Board had been decided by the Minister for Public Services. As there had been some comments raised about imbalance, the Welsh Government felt it was appropriate to provide three options for consideration by the Board, in terms of the advice it provides:

- 1) No change. All members represent their views, but where there is no consensus, a simple majority prevails.
- 2) All decisions of the Board must reflect a majority of both employee and employer representatives (i.e. at least three employee representatives and at least two employer representatives).
- 3) All advice from the Board would include any diverging views among its members; there would be no need to vote on any matter.

5. SP explained that these were merely suggestions and that the Welsh Government would be happy to consider other proposals. Each of the options were considered and the Board concluded option three to be the fairer option. However DD requested that the decisions made by each FRA should be well documented as opposed to describing the position/views as a consensus of the employers. MP agreed with this approach but iterated the importance of all members being present to ensure that balanced advice was provided. The option of a quorum was discussed. MP explained that if there are a low number of members present, he will use his discretion to decide whether a decision is made at the meeting or whether it is deferred to a future meeting.

6. PH highlighted the current terms of reference did not detail the relationship of the Board with the scheme manager (FRA) and felt that the composition of membership also needed to be detailed. PH added that members of the Board are nominated by the three authorities not services. The Board agreed with the comments.

7. Paper FPSABW(15)05 would be amended to reflect the changes suggested.

#### **Agenda Item 5 – Firefighters' Pension Schemes (Wales): Employee Contribution Rates Yield Proposals**

8. SP introduced paper FPSABW (15)06 which provided members with proposals of how the employee contribution rate yield can be monitored by the Board. SP explained that the current employee contribution rates were set until 31 March 2019. SP explained that the yield would be monitored on an annual basis which would help obtain an indication of the risks of not meeting the yield.

9. PH suggested that retirement is a large issue. Whilst there are larger costs associated with the 1992 Scheme, retirees from this scheme were replaced by newer members entering the 2015 pension scheme, which consequently PH thought may have an effect on the yield.

10. LA referred to the 2012 valuation report which assumed a number of retirements would take place, as the majority of members were in the 1992 Scheme. This was not the case in MWWFRA. Consequently, LA believed that the yield will exceed the 13.2% rate. PH did not agree and believed the number of retirements from the 1992 Scheme would mean that the yield would not meet the 13.2% rate. DD added that there is an assumption that one scheme member will be replaced by another however this was not always the case. There was a possibility that FRA's will be required to reduce the number of posts as a result of potential funding cuts.

11. SP confirmed that the employee rates can be changed but this would not change the yield. Any changes to the yield itself, would involve a consultation and amending legislation.

#### **Agenda Item 6 – Firefighters' Pension Schemes (Wales) Actuarial Valuation as at 31 March 2016**

12. MP introduced FPSAB (15) 07 which outlined the proposed timetable for the 2016 valuation as suggested by HM Treasury. The timetable was presented at the GAD valuation conference on 16 September, which MP and HG attended. MP explained that actuarial valuations were required in accordance with HM Treasury and the proposed timeframe applies to all public service pension schemes. MP referred to the first timeframe of December 2015. CM confirmed that FRAs have been asked to provide comments on the draft valuation specification to the Welsh Government by 14<sup>th</sup> December.

13. MP explained that the process will require the Board to consider the valuation assumptions as drafted by GAD. In determining the valuation assumptions, the main things will be mortality and age retirement rates. MP suggested the Board invite GAD to present their findings at a future meeting in 2017.

**ACTION:** Welsh Government to make note of the suggestion to invite GAD to a Scheme Advisory Board meeting in 2017.

14. SJ queried the impact of not meeting the timeframe presented. SP explained that it is a legal requirement to have a valuation in place by April 2018 and it is more beneficial for the FRAs to know the outcome of the valuation in terms of the new employer contribution rates well in advance of their implementation date of April 2019. SJ questioned the effect protected rights/transitional rights and contracting out would have on the scheme. PH said it would cost South Wales £150k in National Insurance contributions.

## **Agenda Item 7 – Firefighters’ Pension Fund: Costs of Firefighter Pension Scheme in Wales 2011-2015**

15. SP introduced paper FPSABW(15) 08 which details the cost of the pension schemes in Wales. The paper reflects the income and expenditure trends in respect of the Firefighters Pension Fund. The paper highlights an increase in employee contribution rates and a decrease in employer contribution rates. SP explained that the information pre-dates the introduction of the 2015 Scheme and therefore the figures included only relate to the costs of the 1992 and 2007 Schemes. SP explained that the Pension Fund is topped up by Welsh Government through HM Treasury Annually Managed Expenditure.

16. PH referred to the decline in members’ costs transferring into the pension scheme in 2014/15. PH suggested that this could be as a result of more members transferring into the Scheme from private sector schemes which have less value than other public schemes such as the Armed Forces or Police. DD added that the Fire and Rescue Service had not recruited for a number of years which may explain the decline. FRA’s have needed to manage the workforce, and have therefore seen a reduction in number of members transferring into the scheme, which has ultimately had an impact on the total employee contribution rates.

17. The Board found the paper useful and welcomed updates on an annual basis.

**ACTION:** Welsh Government to continue to collect data and provide the Board with an update on a yearly basis.

## **Agenda Item 8 – Proposed Scheme Amendments**

18. SP informed the Board of one proposed amendment to the Scheme. The UK Government announced in the 2015 Budget, an amendment to ‘correct the historic injustice to spouses of police officer, firefighters, and members of the intelligence services who lose their lives on duty’. SP explained that currently any surviving partner who remarried or formed a new civil partnership would lose their death benefit entitlement.

19. SP explained that the Scottish Government had recently confirmed that pensions will be re-instated for members of the Scottish 1992 fire scheme and would apply to surviving partners of active members of the scheme who died in the line of duty. SP sought members’ initial views on introducing similar arrangements in Wales. SP explained that the amendment would only apply to members of the 1992 Scheme as members of 2007 scheme are eligible to this entitlement.

20. DD stressed the need to have a strong definition of ‘in the line of duty’ to alleviate any misinterpretations, for example, if someone has an heart attack whilst contributing in a training event, it was not clear whether that would qualify for ‘in the line of duty’. SJ queried whether the amendment would apply to all members of the 1992 scheme. SP confirmed that it would apply to any surviving partner who remarried or formed a new civil partnership. SP added that there have been a low number of fatalities in the line of duty and therefore the number of those affected is anticipated to be very low.

21. DD and PH supported the amendment in principle but asked for clarity in relation to the retrospective payments. SP explained that there were two options to consider regarding the retrospective payments. The first option is to reimburse the payment from the date that the order came into force; the second option is to reimburse from the date of new marriage or civil partnership. PH suggested exploring the impact both options would have and to discuss at the next meeting. SP agreed with this approach and explained that the change could not happen until the Assembly election had taken place.

**ACTION:** Welsh Government to explore.

22. SP added that the Welsh Government is not aware of any further amendments but there are likely to be more.

### **Agenda Item 9 – Feedback from Local Pension Boards**

23. MP invited each of the three services to provide feedback from the Local Pension Boards. PH explained that South Wales had held two meetings to date (2<sup>nd</sup> July and 2<sup>nd</sup> November) with the intention of holding a further meeting to mirror the SABW meeting tri-annually. Consideration was being given to holding a 4<sup>th</sup> meeting which would focus on training needs in sync with the supply of the annual benefit statements. PH raised concern about the impact local elections could have on members of the Board; re-election of members is not guaranteed, and suggested that a contingencies should be put in place.

24. LA explained that the second Mid and West Local Pension Board would take place on 10 December. The agenda would entail a training session followed by a meeting. The training session element will focus on introducing the Pension Regulator website so that members will have the confidence to complete the sections independently. Mid and West has found it difficult to obtain the same councillors to attend each of the meetings and therefore have appointed two members of staff to represent the employer for continuity purposes.

25. DD explained that the second meeting of the North Wales Local Pension Board would be taking place on 30 November. The agenda would include sessions on conflict of interest and communications for members to discuss potential scenarios and to understand what and how things are communicated.

26. PH suggested feedback from the Local Pension Boards is sent to Welsh Government for circulation to the Scheme Advisory Board members, as part of the papers for future meetings. All agreed that it would be useful to obtain information from each of the Boards and agreed with the approach to share the updates with SABW members.

**ACTION:** Three FRA's to provide an update from the Local Pension Boards to Welsh Government. Welsh Government to include the update within papers circulated for future Scheme Advisory Board meetings.

27. MP explained that he is a member of the Local Government Pension Scheme board and will circulate any training materials generated by that board, which may be of interest/benefit to the Scheme Advisory Board. DD suggested future Scheme Advisory Board meetings could include a 'generic learning from' agenda item.

**ACTION:** Welsh Government to include 'generic learning from' item to future agenda.

#### **Agenda Item 10 – Any Other Business**

28. LA queried whether the costs related to the Scheme Advisory Board and Local Pension Boards could be recoverable as is the case for the Local Government Pension Scheme costs which are chargeable to the fund top up. SP explained that the funding top up is accounted for separately. The Welsh Government will explore with HM Treasury whether there is an option to include a line for 'administration costs for 2015 scheme'.

**ACTION:** WG to explore with HM Treasury whether there is an option to include a line for 'administration costs for 2015 scheme'.

#### **Agenda Item 11 - Date of Next Meeting**

29. Members were content with the next meeting being held in April. SP asked members if they were happy with the location of meetings. Members agreed they were content with the location but DD requested a morning meeting would be preferable; all agreed.

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