

Firefighters' Pension Scheme Advisory Board for Wales

3 February 2020

Welsh Government Office, Cathays Park /Video Link to Welsh Government Office, Llandudno Junction

Minutes

Members

Michael Prior (MP) Independent Chair

Employer Representatives

Cllr Bryan Apsley (BA) North Wales FRA

Employee Representatives

Sean Starbuck (SS) Fire Brigades Union
Richie Fairhead (RF) Fire Leaders' Association

Officers in attendance

Mark Miles (MM) Mid and West Wales FRA
Alison Reed (AR) South Wales FRA

Observers

Sarah Tillman (ST) Mid and West Wales FRA
Chris Barton (CB) South Wales FRA
Catherine Black (CB) Rhondda Cynon Taff County Borough Council
Denise Stone (DS) Rhondda Cynon Taff County Borough Council
Martin Morgan (MM) Carmarthenshire County Council
Kevin Gerard (KG) Carmarthenshire County Council
Aled Williams (AW) Carmarthenshire County Council

Welsh Government Officials (Secretariat)

Kerry Citric (KC) Welsh Government
Cerys Myers (CLM) Welsh Government
Natalie Spiller (NS) Welsh Government

Others in Attendance

Clair Alcock (CA) Local Government Association

Apologies

Cllr Claire Mills Mid and West Wales FRA
Cllr Sue Pickering South Wales FRA
Cerith Griffiths Fire Brigades Union
Ade Robinson Fire Officers Association
Kevin Jones Mid and West Wales FRA
Helen MacArthur North Wales FRA

1. AGENDA ITEM 1 – WELCOME AND INTRODUCTIONS

- 1.1 MP welcomed everyone to the meeting and thanked scheme administrators for their attendance. The meeting had been arranged to specifically focus on HM Treasury's working proposals for transitional arrangements to the 2015 pension schemes. The scheme administrators had been invited to attend to provide technical feedback on the options proposed.
- 1.2 Apologies were provided for Cllr Claire Mills, Cllr Sue Pickering, Cerith Griffiths, Ade Robinson, Kevin Jones and Helen MacArthur. Comments on HM Treasury's proposals received from Ade and Helen would be fed into discussions.
- 1.3 Members confirmed that they had no conflicts of interest to declare.

2. AGENDA ITEM 2 – MINUTES FROM LAST MEETING

- 2.1 MP referred to the minutes of the previous meeting held on 31 October and invited members to agree the minutes for accuracy. No comments were made and the minutes were agreed as a true record.

MATTERS ARISING

- 2.2 An update on actions from the last meeting had been provided as part of the minutes. The majority of actions remained ongoing. A further update would be provided at the next normal meeting of the Board.

3. AGENDA ITEM 3 – PUBLIC SERVICE PENSIONS: WORKING PROPOSALS FOR TRANSITIONAL ARRANGEMENTS TO THE 2015 PENSION SCHEMES (FPSABW(20)01)

4. Following the Courts' decision in 2019 that transitional protection in the firefighter and judges pensions' schemes was unlawful, Treasury had confirmed that the difference in treatment would need to be remedied across all public sector schemes. Treasury had undertaken work through a series of cross Whitehall Groups to develop two lead proposals for remedy both of which would give the majority of public sector scheme members the choice of accruing benefits in the 2015 or their legacy scheme during the remedy period.
 - 4.1 HM Treasury had asked responsible authorities to hold technical discussions with SABs and other stakeholders. MP referred to the main objectives of the discussions which were to gain an understanding of employee representatives' initial views and to test their deliverability and technical feasibility with employers and administrators.

4.2 Members had been provided with a copy of the document which had outlined two current lead proposals for a remedy: an 'Immediate Choice' and a 'Deferred Choice Underpin'. Under 'Immediate Choice', the member was to make an irrevocable decision soon after the end of the Remedy period as to whether they had accrued old or new scheme benefits during the Remedy period. The 'Deferred Choice Underpin' would require members to make the decision at the point of retirement (crystallisation).

Immediate Choice

4.3 Scheme Administrators and FRA officers indicated that 'Immediate Choice' was their preferred option for the reasons set out below :-

- It would be the simplest option to implement and demonstrate within Annual Benefit Statements. If Deferred Choice was implemented, details of the two options would need to be included within members' annual benefit statements adding further complication which may cause confusion.
- Members' records for the remedy period would need to be maintained by FRAs and administrators for possibly the next 30-40 years under a deferred choice option. This would place a significant additional burden on both.
- It was unclear at this stage whether changes to software could accommodate these changes or reduce this burden.
- Concerns were raised around the uncertainty that deferred choice would create in terms of the ongoing liability of the scheme, and what this would mean for the valuation process and resultant impact on members' benefits.
- Concerns were raised that the deferred choice option would add further complication to the implementation of any future scheme changes.

Deferred Choice Underpin

4.4 From an employee perspective, the FBU and Fire Leaders Association indicated that 'Deferred Choice Underpin' was their preferred option for the reasons set out below :-

- It minimised the risk of members making decisions based on wrong or incomplete information (inability to take into account future circumstances such as members' health, pensionable pay and career progression). Deferred Choice would allow members to base their decision on actual service. This was likely to reduce the risk of future legal challenges.
- An example of this related to members of the 2007 scheme. Whilst it was clear that the majority of firefighters would be better off re-joining the 1992 scheme the case wasn't as clear in the 2007 scheme. The 2007 was calculated on a final salary basis. However the early retirement factors in 2015 scheme in Wales were significantly better than those in the 2007

scheme. Future decisions around age of retirement could therefore impact significantly on which scheme would be most beneficial.

- Scheme administrators would be required to set up mechanisms for delivering options relating to past service whichever option was to be implemented because immediate choice would not be implemented until after the remedy period. This should mean that the systems introduced to produce these calculations would be able to continue to do so for the deferred choice option.

General Views

4.5 The SABW felt unable to provide definitive views on the proposals based on the limited information provided. The following general points were made :-

- Concern was raised about the lack of information which had been provided by HM Treasury. For instance there were uncertainties regarding timeframes; the immediate choice was to be introduced at the end of the remedy period but the end of the remedy period was unknown. There was a clear lack of clarity on the tax implications of both proposals.
- Not all relevant stakeholders had been involved in cross Whitehall meetings. For instance some scheme managers were automatically involved in these discussions because they were also the responsible authority/lead Whitehall department, but this was not the case for the firefighter schemes.
- The proposals did not account for any further potential changes that may be made to schemes.
- Impact on pension saving statements as well as annual benefit statements. Queries were raised about the level of detail to be included within annual benefit statements and whether the information could be provided at the point of crystallisation to avoid complication and confusion.
- Lack of reference to Lifetime Allowance and other tax related issues. Clarity required from HMRC.
- FRAs would need to consider the impact that both options might have on member decision making and any resultant impact on their workforce plans.
- The Fire Officers Association had raised the potential for a hybrid option which was a mixture of the two proposals, (effectively offering the option to choose between an “Immediate” or “Deferred” choice at the end of the Remedy Period) in feedback to the secretariat.
- Members queried the value of any feedback they might provide if HM Treasury already had a preferred option. Reference was made to the extensive work that SABs had undertaken in relation to the cost cap rectification process, which HM Treasury then suspended.

- There was no information on who would meet cost of the additional administration burdens. These did not currently form part of pension scheme liabilities.

4.6 HM Treasury had requested initial feedback from stakeholders at the end of each SAB meeting with an overall response by the end of February. The SABW confirmed that they were content for the secretariat to provide initial feedback to HM Treasury. The SABW would submit a written response to outline their final views. In this instance, the purpose was to provide feedback to Treasury officials, and not advice to Welsh Ministers.

ACTION: Welsh Government to provide initial views of the SABW to HM Treasury.

Scheme Advisory Board in England (SABE)

4.7 CA provided feedback on the approach taken by the Scheme Advisory Board in England (SABE). The working group included representation from officers, members and scheme administrators. One meeting had taken place which had focussed on initial views and brain storming. Many of the issues raised were similar to those raised by colleagues at this meeting. The group had considered previous arrangements where members had been asked to provide a choice, such as the introduction of the retained modified scheme, and the problems that had occurred with these processes. The group had also tasked CA with developing a hierarchy of issues/principles, for example, whether slightly reducing the cost of the scheme outweighed the risk of potential future legal challenges. The Home Office and GAD had been invited to attend the second meeting to provide their views on timescales and key objectives to allow the group to further examine their initial views. The group was to consider the information and feedback to the SABE. The information would help SABE form a decision on whether to provide a response to HM Treasury on the preferred option or to provide views on both options proposed.

4.8 A technical meeting had also taken place to discuss the inclusion of consistent information in annual benefit statements for 2020 regarding the position on projected benefits. The SABE planned to provide advice on this issue to scheme administrators so a consistent approach could be applied and joint communications relayed to members. The Welsh Scheme Administrators indicated that they thought a consistent position for statements for members of the Welsh schemes was similarly important.

ACTION: Clair Alcock to provide a further update on annual benefit statements at the next meeting.

5. AGENDA ITEM 4 - ANY OTHER BUSINESS

5.1 No other business.

Future Meetings

5.2 The next SABW meeting had been arranged to take place on 20 March. The SABW agreed to meet again in February to allow a further opportunity to raise comments on the working proposals set out by HM Treasury. Members thought that discussion would be enhanced if HM Treasury were able to attend to clarify some of the issues that had been raised.

5.3 It was also agreed that Government Actuary's Department should be invited to the next meeting. Members did not have a clear view on the issues that it wanted GAD to cover at this stage, but were interested in establishing what advice had been provided to other larger schemes. Members also felt that it would be useful to have some consistency in GADs advice across various firefighter SABs. They felt that this had worked well during consideration of the valuation results. It was agreed that the secretariat would discuss this further with CA in preparation for the next meeting.

ACTION: Secretariat to invite HM Treasury and Government Actuary's Department to the next meeting.

5.4 MP noted the importance of members attending the next meeting and the FRAs were encouraged to send an alternative member as well as officer representation if their actual SAB member is not available. It was suggested that the software provider, Aquila Heywood, be invited to attend to advise on the implications for software changes, and whether a set of one-off changes would be able to support the provision of annual "two choice" data under the deferred choice proposal.

ACTION POINT: Secretariat to seek members' availability and confirm date of follow up meeting. Secretariat to invite Aquila Heywood to attend.