

Firefighters' Pension Scheme Advisory Board for Wales

30 April 2024

Microsoft Teams

Note of Meeting

Present

Michael Prior

Chair

Employee Members

Ade Robinson
Stuart Millington
Cerith Griffiths
Mark Rowe

Fire Officers Association
Fire Leaders' Association
Fire Brigades Union
Fire Brigades Union

Employer Members

Cllr Kim Broom
Alison Reed

Mid and West Wales FRA
South Wales FRA

Others in attendance

Mark Miles
Nicola Westcott
Sarah Tilmann
Justine Harries
Rebecca Marfleet
Kim Jeal
Tara Atkins

Mid and West Wales FRA
Mid and West Wales FRA
Mid and West Wales FRA
Mid and West Wales FRA
North Wales FRA
South Wales FRA
Local Government Association

WG Officials

Kerry Citric
Cerys Myers
Natalie Spiller
Steffan Herdman

Welsh Government
Welsh Government
Welsh Government
Welsh Government

APOLOGIES

Tristan Ashby
Mydrian Harries
Cllr John Brynmor Hughes
Helen MacArthur
Claire Johnson
Steve Pomeroy

Fire and Rescue Services Association
Mid and West Wales FRA
North Wales FRA
North Wales FRA
Local Government Association
Welsh Government

1. AGENDA ITEM 1 – WELCOME AND INTRODUCTIONS

1.1 The Chair welcomed everyone to the meeting. 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 Tristan Ashby, Mydrian Harries, Cllr John Brynmor Hughes, Helen MacArthur and Claire Johnson. The Chair welcomed Brian Allan to the meeting who was attending on behalf of the Government Actuary's Department.

1.3 The Chair noted two changes to the SABW membership. Firstly, he noted that Alison Reed was to be appointed as the new representative for South Wales FRA. The Chair also noted that Chris Barton had retired from his role as Treasurer for South Wales FRA and so would no longer be attending meetings.

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

1.5 Kerry Citric (KC) advised members that she and Cerys Myers would be stepping away from their roles dealing with firefighter pensions for approximately 12 - 18 months to focus on other fire service projects. Further information regarding team changes would be circulated to members once replacement staff had been appointed.

AGENDA ITEM 2 – NOTES FROM LAST MEETING AND MATTERS ARISING

2.1 The Chair referred to the notes of the previous meeting held on 2 November 2023 and invited members to agree them for accuracy.

2.2 Two amendments to the notes were required:-

- An amendment to the attendee list to reflect that Alison Reed was in attendance.
- a typographical error in paragraph 3.4. It was agreed that SW should be amended to Samantha Watts and paragraph 4.1 should be subsequently amended to SW.

Other than the above the notes were agreed as a true record.

ACTION: Secretariat to amend the Minutes from the meeting which was held on 2 November to rectify the typographical error identified in paragraphs 3.4 and 4.1 and also to reflect Alison Reed's attendance.

MATTERS ARISING

2.3 An update on the actions from the previous meeting, and outstanding actions from earlier meetings was provided as a front page to the notes. No further comments were provided.

3. AGENDA ITEM 3 – 2020 FINAL VALUATION RESULTS

3.1 KC informed members that the final 2020 Valuation Report had been published on the 31 January 2024 and that the FRAs had now implemented the revised employer contribution rate for the 2015 scheme of 31.0% which was effective from the 1 April 2024. The valuation also highlighted a requirement for action to be taken in relation to the employee contribution rate.

3.2 Members were advised that, based on current member contribution rates, GAD calculations projected that the yield for the Fire Wales pension scheme over the 2020 valuation implementation period 2024 to 2027 was 13.0% pa. This was 0.2% pa lower than the target member contribution yield of 13.2% pa. HM Treasury had advised the Welsh Government that the 2020 valuation results should reflect the target yield of 13.2% pa and therefore action would need to be taken to ensure that the contribution rate structure was updated to achieve this. HMT has also confirmed that new rates would need to come into effect by 1 April 2025. KC advised that the Welsh Government would be conducting a full public consultation exercise in the autumn in advance of changes to the pension scheme regulations to provide for the above. KC confirmed that the current member contribution structure was consistent with that adopted in the other nations, and the Welsh Government were keen to maintain this approach if that was possible.

3.3 Members were advised that the purpose of the agenda item was to seek SABW members views on how current member contributions should be updated to inform the formal consultation process. Initials views were being sought at this meeting but members would have another opportunity to input into discussions at a further SABW meeting before the consultation took place.

3.4 Brian Allen (BA) ran members through the paper that GAD had provided to aid discussion. He advised members that the employee contribution rate structure had not been revised since 2018 and during this time there had been some movement in the workforce and pay bands, mainly as a result of pay increases. Based on current workforce data, GAD had projected that no members now fell into contributions band 1, instead the majority of scheme members sat in contributions band 2. However, it was noted that GAD were not provided with full-time equivalent pay data for some members. Where full time earnings pay data was missing, GAD had assumed that the member fell into band 2. The FRAs confirmed that this was consistent with their knowledge of the workforce.

3.5 BA indicated that some of the options for the SABW to consider included :

- changing the band thresholds,
- the number of bands,

- rates payable in each band or between the rates in different bands,
- changing from wholetime equivalent to actual salary bandings.

As there were significant interdependencies between each of these elements, the final changes to the contribution structure were likely to be a combination of all the above.

3.6 It was suggested that SABW may also wish to consider and provide views on future proofing any new contribution rates. Options might include an annual review of the bandings and rates and/or building into regulations the automatic annual uprating of the contribution bandings in line with for instance inflation, Average Weekly Earning rates, or in line with NJC pay agreements. BA also suggested that in order to future proof the new structure it may be prudent to undertake a review on an annual basis so that the revised structure kept pace with future pay increases.

Members raised the following issues:-

- Mark Rowe advised that any increase in member contribution rates would not be welcomed by scheme members as it would reduce the amount of net salary that firefighters earn. However, the FBU recognised that the sustainability of the firefighters' pension scheme was extremely important.
- Kim Jeal (KJ) queried whether assumptions in relation to future pay increases had been factored into GAD's modelling and supported a new structure that could take into account future pay increases. BA confirmed that GAD's projections had taken account of pay increases for the last financial year.
- Cllr Kim Broom commented that when combining employee and employer contribution rates, 45% of salary would be paid into the firefighters' pension scheme. Cllr Broom suggested that it may be appropriate to link the pay bands to annual pay settlements.
- Stuart Millington confirmed that very few firefighters fell into band one as pay has increased significantly since the original scheme design and therefore this band was now redundant. He suggested linking the contribution bands to pay bands and future pay settlements which would potentially avoid the need for regular changes to the regulations as long as this meant the yield was being achieved.
- KJ further queried whether the SABW should consider the CARE scheme principles when designing the new structure.

3.7 Members were advised that HMT had not yet confirmed whether they expected the 3.2% yield to be achieved for the full 4 year valuation period. Given the later implementation date of April 2025 instead of April 2024 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. Clarification on this issue would be from HMT and an update provided in due course.

3.8 Members also considered the implication of tax relief on employee contributions. BA explained that due to being in a higher tax band and pension contributions attracting tax relief, higher earners would benefit most from a flat rate contribution structure. To ensure fairness for scheme members, a tiered structure could be designed to level the implied contribution rate. This would need to be considered carefully in order to ensure salary increases from promotions would not result in scheme members being disadvantaged on gaining promotion.

3.9 Cllr Kim Broom queried whether the consultation would provide scheme members with examples to demonstrate the impact that each proposal would have on net pay. BA confirmed that GAD would produce this information if required by the Welsh Government. KC confirmed that a further SABW meeting would be required mid / late summer in order to discuss proposals in greater detail ahead of a public consultation in the early Autumn.

Action: 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.

4. AGENDA ITEM 4 – IMPLEMENTATION OF O'BRIEN

4.1 KC drew member's attention to the paper that had been circulated ahead of the meeting which set out the current position since introduction of the Firefighters' Pension Schemes and Compensation Scheme (Amendment) (Wales) Order 2024 on the 1 February 2024. The paper also set out the key timings for the second options exercise which was to be completed within 18 months. KC confirmed that some flexibility had been built into the legislation in respect of these timings. Members were advised that since the introduction of the Order, a number of issues had been identified that had not been covered in the original provisions. Amendments would therefore be required in due course to make provision for these issues, listed at paragraph 3 of the paper. A consultation would be required in relation to the amendments before they would be implemented.

4.2 Members were advised that GAD were undertaking work on a Wales specific calculator in respect of periodic contributions repayments. KC advised that in the meantime the rest of the generic calculator applied to Wales and could be used by the FRAs to undertake calculations for retired firefighters who would not be making periodic contributions. It was anticipated that the Wales specific calculator would be available shortly. GAD would be hosting a workshop on the 8 May to provide the FRAs with more information on the calculator.

4.3 In addition, KC advised that the Local Government Association ("LGA") were currently collecting data in relation to implementation of the second options exercise in England. GAD had also expressed an interest in collecting this data for Wales. Employers were advised to retain data relating to the second options exercise so that they could provide information if required.

4.4 The FRAs provided an update on implementation of the second options exercise :

- KJ advised members that both North and South Wales FRAs had issued expression of interest letters to all eligible firefighters. North Wales FRA were also in the process of sending out letters to those firefighters who were not considered to be eligible so that they could contact the FRA to appeal this decision if they believed that an error has been made. KJ advised that both South and North Wales FRAs were aware that they were able to use the English version of the calculator, however, they were conscious of discriminating against members further by separating calculations for retired members from active members. It was hoped that the full Welsh version of the calculator would be available by 8 May so that all expression of interests could be processed.
- Sarah Tilman (ST) advised that letters had been sent to all 706 eligible firefighters in Mid and West Wales FRA in February. To date 180 expression of interests had been submitted and 50 had been returned to the FRA as not living at the address. An agency had been appointed in an attempt to trace those individuals. Mid and West FRA had sent out a further reminder letter to those firefighters that had not yet completed and returned their application in order to prompt a response. In addition, the FRA had received one IDRPs from an individual who had been eligible for the first options exercise but had not received notification.

4.5 Members were informed that GAD were working on a suite of guidance to assist the FRAs when dealing with more complex calculations. Further information in relation to the guidance would be provided at the GAD workshop on the 8 May.

5. AGENDA ITEM 5 – IMPLEMENTATION OF SARGEANT / MCCLLOUD

5.1 KC advised members that the Home Office had amended their Regulations in relation to ill health reassessments for 2007 special members. These amendments would also be required to be introduced in Wales. A consultation would be conducted on the proposed amendments in the coming months. In addition, HM Treasury had also issued new Directions, Members had received a copy of the revised document on the 25 March. The revised Directions covered compensation for late tax payment penalties and provision of interest on non-club transfers. KC advised that further amendments to the Directions were planned. In addition, members were advised that HMRC had recently published Pension Schemes Newsletter 159 which had updated Newsletter 156 to take into consideration the payment of interest. A link to the Newsletters had been included in the LGA Bulletins for ease of reference.

5.2 In addition, KC advised HM Treasury were in the process of considering some issues that been identified in relation to tax on interest that were specific to the police and fire schemes. An update on this issue would be provided to Members once clarification had been received.

5.3 The Chair invited the FRAs to provide a brief update on the progress on implementing remedy to date. KJ advised that immediate detriment Remedial Service Statements (“RSS”) for the first cohort were due to be issued to scheme

members in March, however due to complexities identified in relation to tax on interest this had been temporarily paused until clarity had been received. Due to the delay, the national deadline for issuing RSSs to this cohort had been extended until the end of June. Both North and South Wales FRAs were nearing completion of this exercise. KJ advised that a few minor amendments had been made to the standard immediate choice RSS template, mainly to the graphics and narrative to make the template specific to Wales, the revised template had been provided to scheme administrators. Both North and South Wales FRAs were currently trying to ensure that the roll back position was reflected in this years' Annual Benefit Statements by the end of May deadline. Work was progressing well and the FRAs were meeting with their administrators on a regular basis to discuss any issues with the data.

5.4 ST advised that Mid and West Wales FRA had submitted wholetime data for the 1992 rollback. The data for the 2007 scheme data would be sent to Dyfed Powys administrators early May, focus would then turn to populating the calculator for the ill health and beneficiary cohorts.

6. AGENDA ITEM 6 – CONSULTATION ON AMENDMENTS TO THE FPS

6.1 KC advised Members that following scrutiny of the Firefighters' Pensions (Remediable Service) (Wales) Regulations 2023, and the Firefighters' Pension Schemes and Compensation Scheme (Amendment) (Wales) Order 2024 the Senedd's Legislation, Justice and Constitution Committee had identified some minor drafting and typographical amendments. A full list of amendments had been included within a paper which had been circulated to Members ahead of the meeting for consideration.

6.2 Provisions to rectify the errors would be introduced as part of the Firefighters' Pension Schemes (Miscellaneous Amendments) (Wales) Regulations 2024, which were due to come into force in June 2024. These Regulations would also correct the error in HMTs Revaluation Orders for 2021 and 2022, a consultation with members on these amendments had been undertaken in July 2023. SABW members confirmed that they were content with the proposed amendments and no further comments was made.

6.3 Members were also informed of proposals to amend the 2015 Scheme to make pension provision in respect of statutory parental bereavement leave following introduction of the Parental Bereavement Leave and Pay Act 2018. KC advised that this provision had already been introduced in Scotland and England. As the proposed amendments were minor and the FRAs had confirmed that they already treated leave of this nature as pensionable service in line with other forms of statutory leave entitlement, the Welsh Government did not propose undertaking a full public consultation. Instead, the Welsh Government welcomed feedback from SABW members as part of a consultation process. All members agreed with the proposed amendments and no further comments were made. KC anticipated that the amending regulations would come into force later in 2024.

6.4 Members were also advised that the Welsh Government would be introducing further amendments to the Firefighters' Pension Scheme 2015 to provide similar pension provision in respect of carer's leave and neonatal leave. SABW members would be consulted on the proposed amendments at a future meeting.

7 UPDATES FROM LOCAL PENSION BOARDS

7.1 The Chair invited Tara Atkins to provide an update on LGA and SABE discussions. TA informed Members that during their last meeting the SABE had discussed the Home Office's policy amendments with regards to Matthews / O'Brien. Concerns were raised that the current death grant provisions did not cover all eventualities, which was not the original policy intention. In addition, TA noted that the SABE had also reviewed the 2020 valuation results and as a result were also reviewing employee contribution rates which would come into force from 1 April 2025. The Home Office would be attending the LGA Coffee morning later in May in order to discuss proposals for change in greater detail.

7.1 SABE also discussed progress to date in respect of McCloud. TA advised that as the decision regarding tax on interest has been postponed, discussions were held regarding how Remedial Service Statements could be amended so that they could be issued to Scheme Members in the interim. A decision had been made to provide scheme managers / administrators with a revised template which could be issued to scheme members should they wished to proceed. In light of the delay, the timetable has been amended for ill health and beneficiary cases from March to June, which was in line with the Police Pension Scheme.

7.3 TA advised members that Sandra Sedrick (SS) had now joined the LGA and would be working on the Matthews / O'Brien remedy. SS would be working closely with Brian Allen from GAD with regards to the calculator in order to improve the FRAs understanding of calculator outputs.

7.4 In addition, the Local Pension Board Effectiveness Committee attended the SABE meeting to provide new local pension board training session. First Actuarial advisors had also attended a meeting and provided an update on the GAD Matthews / O'Brien calculator, feedback from both First Actuarial and the SABE was provided and fed back to GAD.

North Wales FRA

7.5 KJ advised members that the Local Pension Board ("LPB") had met on 18 April. The Authority's Treasurer, Dafydd Edwards, had been appointed as Chair of the LPB. The Board had also increased membership to include five employer and five employee representatives, with a requirement for a quorum of 6 members overall for each meeting. The Terms of Reference had been updated accordingly. In addition, the annual report for 2023-24 was approved with some minor amendments. KJ had provided members with an update on all legal matters. In addition, a review of the Risk Register covered financial risks around the increase to the employer

pension contribution rates. KJ noted that the administrators had confirmed that all Welsh Government circulars provided to date had been actioned. In addition, KJ confirmed that North Wales FRA had now implemented the new employer contribution rate from 1 April 2024. The next LPB meeting would be held on 18 July 2024.

Mid and West Wales FRA

7.6 ST advised Members that the Local Pension Board had met on 22 April. Aside from the standard agenda items, the LPB had received an update on remedying age discrimination in the Firefighters' Pension Scheme in Wales. In addition, the Board had discussed a report on reviewing the procedure for reporting breaches of the law. In addition, ST advised that the Board had also discussed a complaint in respect of pensionable pay that had been referred to the pensions Ombudsman in 2021. To date, Mid and West Wales FRA were yet to receive a response from the Ombudsman on this issue.

South Wales FRA

7.7 Alison Reed advised Members that the Local Pension Board last met on the 22 January. RCT Pensions representatives had attended the meeting to discuss key performance data and any issues arising from the administration of the pension schemes. An update had also been provided in relation to McCloud and the number of cases processed following the Fire Authority decision in July 2021 to provide pension benefits statements to those individuals who were considered to be in scope for Immediate Detriment and were classified as category 1 cases. The LBP had also received an update on the latest position on O'Brien. Returns submitted to the Pensions Regulator were shared. The outcome of the internal audit was also provided, SW were pleased to report that TIAA internal audit had recommended that the service had "substantial assurance" in relation to governance, risk and control processes.

8. AGENDA ITEM 8 – ANY OTHER BUSINESS

Pensions Dashboard

8.1 KC advised that an email had been issued to Members on the 8 March which set out the current position regarding the pensions dashboard.

Training

8.2 ST advised that following the Firefighters' Pensions Annual Conference in September, Alexander Waters, Senior Lawyer at the Pensions Ombudsman would be conducting a training session via Microsoft Teams, on 25 November 2024 10:00 – 12:00am to provide an awareness training session for Local Pension Board Members. The training would provide members with background of who they were

and what they did, what complaints they were receiving in general, and in particular in relation to firefighter pensions. They would also provide case studies as examples. ST extended the invite to SABW members and advised them to get in touch with her directly should they wish to join the session.

Next Meeting

8.3 A further SABW meeting would be held in June / July to discuss changes to the employee contribution rate structure in greater detail. The Secretariat would be in touch in due course to ascertain Member availability.

Action: Secretariat to arrange a meeting to discuss changes to the employee contribution rate structure.