

# SCOTTISH FIREFIGHTERS PENSION SCHEME ADVISORY BOARD

## Minutes

**Date: 1 November  
2018**

**Location:** Victoria Quay, Edinburgh

**Chair:** Jim Preston (SPPA)

**Attendees:** Ade Robinson (FOA)  
George Russell (GAD)  
Gordon McQuade (FBU)  
Nicola Hector (SFRS)  
Sean Starbuck (FBU)

**Apologies:** Anne Buchanan (SFRS)  
Chris McGlone (FBU)  
Clair Alcock (LGA)  
Fiona McOmish (SFRS)  
Glyn Morgan (FOA)

**Secretariat:** Clare Moffat (SPPA)

**Scottish  
Government/SPPA  
officials** Claire McGow (SPPA)  
Derek Smith (SG)

**Apologies** Lorimer Mackenzie (SPPA)  
Lorna Smith (SG)

## 1. Welcome and Introductions

The Chair welcomed everyone to the Scheme Advisory Board (SAB) meeting. The group provided brief personal introductions for the benefit of members who had not previously met.

## 2. Conflicts of Interest

2.1 None.

## 3. Scheme Valuation

3.1 The Chair introduced 'Firefighters' Pension Scheme (Scotland): cost cap rectification' paper which GAD presented, illustrating the effect on specimen scheme members of the default rectification option, as requested at the previous meeting.

**3.2** GAD confirmed the discount rate as 2.4%, formalised by the HMT Budget announcement on 29 October 2018.

**3.3** The Chair highlighted that the precise amount of additional 2019/20 HMT funding for the impact of the confirmed change to the discount rate and calculated through Barnett consequentialia was not known at this time. DS reiterated that Firefighters' scheme employer contribution costs are fully met by the Scottish Government so there is no cost to SFRS. In addition the Scottish Government also meets in full the top up required between pensions in payment less employer and employee contributions. FBU asked DS how much the approximate top-up costs were for the Scheme but DS was unable to provide figures without further calculation to isolate the Fire costs from the overall Police and Fire costs.

**3.4** SAB discussed the new GAD calculations, outlining which options would benefit most members, and staff side felt that as many options as possible should be considered to give members maximum choice, e.g. a sliding scale of reduced member contributions and/or a change of accrual rate.

**3.5** DS confirmed that reducing employee contributions will have an immediate impact on the funding required from Scottish Government to cover pensions in payment. A reduction of 5.2%, fully rectifying the cost cap breach, would require additional funding of around £7m per year.

**3.6** SAB discussed the 50/50 approach available within LGPS E&W and the FBU suggested that the English Cost Effectiveness Committee may already have some calculations on tiered contributions/benefits. GAD confirmed that the Directions are drafted in such a way that introducing a 50/50 approach would not contribute to resolving the breach in the cost cap.

**3.7** The Chair reminded SAB of time constraints for SAB to provide advice to Scottish Ministers with relation to having the necessary legislative changes in place for 1 April 2019. The default option is to apply the full cost cap breach to a change in the 2015 scheme accrual rate. The Chair also highlighted the difficulties of administration and general understanding if options were too complex, and if contributions were reduced the potential cliff edge of having to increase them in the future following a similar upwards breach in the cost cap mechanism and the effect this may have on participation rates. Although the FBU recognised the universal and relative uncomplicated approach of the default option, they highlighted that their members would expect full consideration to be given to a reduction in employee contributions. The FBU would also want a change in the scheme's Normal Pension Age (NPA) to be considered as part of the rectification. The Chair confirmed that the NPA was set out in the Public Service Pensions Act 2013 which was reserved and therefore not open for change by the Scottish Ministers.

**3.8** SAB discussed hybrid solutions involving accrual rate changes combined with reductions in member contributions. A further variant would be to provide a choice for members either (a) to reduce their contributions by on average 5.2%, while maintaining the current 2015 scheme accrual rate or (b) maintaining their contributions at the current level and benefitting from an improvement in the 2015 scheme accrual

rate. It was not clear if any contribution reduction could be ring fenced for 2015 members or would also have to be applied to those active members of the 1992 scheme who have full or tapered protection. Any accrual rate improvements would be limited to 2015 members. The SAB also considered changes to the CARE commutation rate but ruled out changes to the current early retirement factors. In considering all options the SAB acknowledged the resulting impact on Payroll workload, complexity of scheme administration and budgeting concerns for the Scottish Government in meeting pension scheme costs.

### **Action Point**

**GAD to provide costings of the following options before the next SAB meeting:**

- (a) increase CARE accrual rate to 1/52.6 to rectify cost cap – default option**
- (b) reduce member contributions by 5.2% of pay to rectify cost cap**
- (c) (i) increase CARE accrual rate to rectify  $\frac{3}{4}$  of cost cap breach (3.9%) and reduce member contributions to rectify  $\frac{1}{4}$  of cost cap breach (1.3%),**
  - (ii) increase CARE accrual rate to rectify half of cost cap breach (2.6%) and reduce member contributions to rectify half of cost cap breach (2.6%), and**
  - (iii) increase CARE accrual rate to rectify  $\frac{1}{4}$  of cost cap breach (1.3%) and reduce member contributions to rectify  $\frac{3}{4}$  of cost cap breach (3.9%)**
- (d) offer member choice\* of:**
  - (i) continue current member contribution with increased accrual rate of 1/52.6 (i.e. pay the same for improved benefits), or**
  - (ii) reduce member contribution by 5.2% and maintain accrual rate of 1/61.6 (i.e. pay less for same benefits)**

**\*based on confirmation that this could not be excluded from any contribution reduction under the terms of the directions**
- (e) increase CARE commutation rate from 12:1 to 20:1 (40% of cost cap breach) and increase CARE accrual rate to level necessary to rectify remaining cost cap breach (approx. 60%).**

## **4. Restricted Commutation**

**4.1** Chair introduced 'Restricted commutation in the Firefighters' Pension Scheme 1992' which revisits the options for SAB to consider, first raised without consensus on 24 October 2017.

**4.2** SPPA outlined the options previously considered and the decision by Scottish Ministers' to allow discretionary lifting of the restriction with the additional costs met by the Scottish Fire Authority. This reflects the approach taken with the Firefighters' Scheme in England and the Scottish Police Scheme.

**4.3** SPPA will now consult on the legislative changes needed to introduce this change.

## **5. Contribution Rates from 1 April 2019**

**5.1** Chair outlined that current regulations determine contribution rates to 31 March 2019 so there is a requirement to clarify contribution rates from 1 April 2019.

**5.2** SAB reluctant to consider contribution changes until the outcome of cost cap rectification clear so agreed to defer any decision and if necessary continue on current rates with a view to review from later date.

## **AOB**

SAB agreed the draft minutes from previous meeting on 16<sup>th</sup> October 2018, subject to correction of noted apologies.

## **6. Future meeting dates**

**6.1** Next meeting will be arranged for 13 or 14 November 2018.