

**SCOTTISH FIREFIGHTERS PENSION SCHEME ADVISORY BOARD
FPS SAB 26/09/2018 - 01**

Minutes

**Date: 26th
September 2018**

Location: Victoria Quay, Edinburgh

Chair: Lorimer Mackenzie (SPPA)

Attendees: Chris McGlone (FBU)
Sean Starbuck (FBU) by audioconference
Nicola Hector (SFRS)
Anne Buchanan (SFRS)
Glyn Morgan (FOA)
Chris Mulholland (GAD)
Michael Rae (GAD)
Clair Alcock (LGA) - Observer

Apologies: Gordon McQuade (FBU)

Secretariat: Clare Moffat (SPPA)

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

Apologies 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 new members and officials.

2. Conflicts of Interest

2.1 No conflicts raised. The Chair noted and highlighted that other members are members of other public sector schemes.

3. Scheme Valuations

3.1 The Chair introduced the Fire Pension Schemes (Scotland) 2016 valuation provisional results which shows that there has been a cost cap breach. Attention was drawn to his letter dated 19 September 2018 in which the SAB is invited to advise the

Scottish Ministers on the measure or combination of measures that could be adopted to rectify the cost cap breach.

3.2 Although the scheme regulations provide for a 3-month consultation the SAB is requested to provide its advice by 31 October 2018. When presenting its advice, the SAB is asked to set out the considerations taken into account when making its recommendation. GAD will be available to advise the SAB on the cost implications of measures under consideration. Following receipt of advice, the aim is for agreement to be reached by 30 November 2018. This timescale is tight but reflects the need to consult on amendments to implement the agreed cost cap remedy.

3.3 Chris Mulholland (GAD) provided a presentation explaining the purpose of the valuation, the cost cap, the effect on employer contribution rate, potential options for rectification and the next steps for the SAB. In addition, it was confirmed that HMT wishes to review the design of the cost cap mechanism and expects to conclude this in time for the 2020 valuations.

3.4 The Chair confirmed that HMT were expecting schemes not to provide for reduction in employee contributions given the impact on budgets that would have. This was highlighted by the Scottish Government which confirmed that firefighter employer contributions and the top up required to cover the shortfall of pensions in payment was met centrally by the Scottish Government. Any reduction in employee contributions would require additional funding to cover the cost of pensions in payment.

3.5 SPPA confirmed for illustrative purposes the increase a change would provide from moving the accrual rate from its current 61.6 to 52.6. For a member earning £30,000 this would provide an annual increase in pension of £87 for a member on £50,000 this would provide an increase of £139. This provided some context both for the value of increases and how it might impact on a members' Annual Allowance limit. Following discussion, the SAB indicated that a possible change of accrual rate appeared to be the most appropriate option at this point but requested GAD colleagues provide worked examples to illustrate the impact of rectifiers, in order to consider all the options, as a combination of rectifying measures is possible. The SAB recognised the difficulties administrators may have in implementing any agreed changes together with the impact potentially short term changes will have on pension forecasting.

Action Point

GAD to provide figures to illustrate impact of options available to re-set the cost cap (with worked examples of lower range earner, mid-range earner and higher earner and also how increase in the accrual rate may affect the impact of the AA)

4. Contribution Rates from 2019

4.1 SPPA asked the SAB to consider contribution rates from April 2019, whether a flat rate would better protect lower paid workers. The FBU highlighted it had sought a flat rate for the 2015 scheme as part of the scheme negotiations but a tiered structure was implemented.

4.2 The Chair confirmed that in the absence of an overwhelming wish to amend, there was no immediate need to resolve and this item can be picked up at a later date (post valuation actions).

5. Application of backdated pay award to pensions in payment

5.1 FOA raised that an increased pay award effective from 01/07/2017 was finally agreed on 07/12/2017. Any members who retired between these dates have not had their salaries adjusted.

5.2 SPPA added that the Chief Officer has confirmed there was no legal obligation for the Service to apply the increases for retired members. The Chair confirmed that SPPA cannot intervene in this matter as it was a pay rather than pensions issue although acknowledged the impact that not applying a pay rise would have for those who were in service on the day of the award and who had subsequently retired.

6. AOB

6.1 None

7. Future meeting dates

7.1 The Chair explained the need to reconvene quickly given the recognised short timescale for the SAB to provide its advice to the Minister.

Next meeting will be held on 16 October 2018, Victoria Quay Conference Room 9, 11:00-15:00