

Scottish Firefighters' Pension Scheme Advisory Board

MINUTES

Date: 10 September 2020

Location: Virtual

Chair: Iain Coltman (SPPA)

Attendees: Nicola Hector (NH) (Scottish Fire and Rescue Service)
George Lindsay (GL) Scottish Fire & Rescue Service)
Chris McGlone (CMcG)(Fire Brigades Union)
Glyn Morgan (GM) (Fire Officers' Association)
Ann-Marie Pettie (AP) (Government Actuary's Department)
Sean Starbuck (SS) (Fire Brigades Union)
George Russell (GR) (Government Actuary's Department)

Scottish Government/Scottish Public Pensions Agency Officials:

Iain Coltman (IC) (SPPA)
Stuart MacArthur (SMac) (SPPA)
Claire McGow (CMc) (SPPA)
Derek Smith (DS) (SG)
Lorna Smith (LS) (SG)

Apologies: Brian Baverstock (Scottish Fire and Rescue Service)
Ramona Coxall (Scottish Fire and Rescue Service)
Claire Hey (Local Government Association)
Gordon McQuade (Fire Brigades Union)
Tom Nash (SPPA)

Secretariat: Claire McGow (SPPA)

1. Welcome and introductions

1.1 The Chair welcomed everyone to the Scheme Advisory Board (SAB) meeting and checked that all present were content with the meeting being recorded for minute-taking purposes and confirmed that recording would be deleted after the minutes are approved. For the purpose of the new attendees, Anne-Marie Pettie and George Lindsay (deputising for Ramona Coxall), introductions were provided.

2. Conflicts of interest

2.1 No new conflicts of interest declared.

3. Minutes and actions of previous meeting

3.1 Minutes of 2 March 2020 were agreed.

Action points updated:

Action ref.	Update
62	Closed
61	Closed
60	Closed
59	Closed – issued 27 February 2020
58	Closed
57	Closed
56	Open – pensionable pay
55	Open - SPPA to share outcome of STPS opt out comments when analysis available (Nov 2020)
23	Closed – covered by action point 56

4. Addressing Age Discrimination in the transitional arrangements to the 2015 Pension Schemes

- 4.1 The Chair introduced AP who provided an overview of the *HMT consultation* and the illustrated examples outlined in *Appendix A* of the Scottish SAB's *Response to HMT proposal* dated April 2020. Member representatives highlighted that we should also consider the 2006 and 2015 schemes' early retirement factors when comparing member benefits. GR confirmed examples had taken the factors into account.
- 4.2 GR introduced a summary of the UK Govt's McCloud/Sargeant consultation, explained the timing of the member choice, the challenges of implementation of the remedy proposals and consideration of immediate priority cases. He then explained the further technical details outlined in *Appendix A*, which included possible divergences of entitlement for ill health retirements, deaths since 1 April 2015, contingent decisions (e.g. opting out), transfers, divorce cases, interest of under/over payments and refunds and abatement.
- 4.3 GR explained the effects of the possible tax implications resulting from the proposals and invited questions. The Chair reiterated that SPPA had recently shared guidance on "immediate detriment" cases based on that circulated by the Home Office, and confirmed that the ill health retirement process was already assessing cases under the provision of both schemes. DS asked about tax implications across the range of membership and GR confirmed that it was unlikely that the tax implications would only affect high earners.
- 4.4 The Chair asked members how they wished to respond to the consultation – separately or collectively. SS outlined he had begun to prepare his own organisational response and the immediate choice does not remove the age discrimination issue but creates a cost implication. He outlined that only the deferred choice underpin (DCU) removes risk for members and he believed that the administrative costs are likely to be less overall. He queried if illustrative examples could be more specific to firefighters and outlined the need for an equality impact assessment to be undertaken. He also outlined that tapered members should be able to make a choice of combined benefits, not be forced to choose one option or the other.

Member representatives confirmed their positions were unchanged:

- FBU favoured DCU with an option to change the default proposal for post-2022 position.
- FOA favoured DCU with an option to change the default proposal for post-2022 position.

The Chair highlighted that the default position may result in underpayments due to a contribution adjustment and suggested this could possibly be offset against benefits at retirement.

- 4.5 GR advised that GAD can amend illustrative examples and invited members to request specific situations. The Chair agreed that a scheme specific EIA should be undertaken in Scotland to ensure all possible issues were captured.

Action point: Scheme specific Equality Impact Assessment (EIA) to be arranged

- 4.6 GM confirmed that FOA would like the SAB to send its own response and the Chair agreed that a SAB response should explain any difference of opinion if consensus was not reached.

- 4.7 The Chair invited employer and SG views on the proposal. NH confirmed that SFRS preferred the DCU and while SFRS will respond to consultation separately, she also supported a collective SAB response.

DS agreed that a SAB response outlining DCU as preferred choice would be acceptable. The Chair confirmed that Chief Secretary of HM Treasury contacted the Scottish Ministers, to introduce the consultation and the Public Finance Minister, Ben McPherson MP, will respond on behalf of the Scottish Ministers with consideration of the advice provided from the SAB.

- 4.8 The Chair acknowledged the members' agreement to submit a collective SAB response and asked members to submit any additional points. SPPA can co-ordinate the response and circulate for final approval.

- 4.9 GR agreed to prepare illustrative examples of members with tapered protection and consider scenarios where members have reached their service cap. The group discussed tapered members who are aged 55+ but have less than 30 years' service, who are not inclined to move to the CARE 2015 scheme because of the later NPA (despite favourable ERFs) so often choose to leave the service instead. GL confirmed SFRS Human Resources are aware of the potential workforce planning issue caused by firefighters choosing to retire rather than join CARE 2015 scheme. NH advised SFRS have seen a number of deferred members choose to retire this year as the service transformation did not go ahead.

- 4.10 The Chair encouraged members to join the HM Treasury stakeholder session later to hear and participate in discussions with SAB colleagues across the UK. GR confirmed that costs to implement the remedy would be borne by the members.

- 4.11 SS raised that FBU have amended their judicial review to include that the cost of Sargeant/McCloud remedy should not be part of the cost cap mechanism. He added that this question has been put forward for discussion at the HM Treasury meeting later today.

- 4.12 NH asked whether the SAB would be asked to review cost cap work again. GR confirmed that the SAB requirements would be clear once the amended Directions are available.

- 4.13 CMcG asked if the proposed benefit changes would be applied retrospectively and GR confirmed that some actuarial assumptions may have changed, e.g. patterns at retirement, but the amount of work this entails for GAD will depend on the amended Directions.

- 4.14 SS asked if GAD could give any idea of the impact of how the incorporation of the member costs may affect the cost cap but GR confirmed that it is not possible to forecast this at present.

Clair Alcock joined the meeting.

- 4.15 The Chair agreed to circulate the pre-submitted questions for today's HM Treasury Stakeholder afternoon session as soon as the SAB ended.

5. Participation rates

- 5.1 CMc confirmed that the membership rates remained steady at 96% whole-time and 95% retained and invited questions from members. NH asked if further action had been taken to reduce opt outs and CMc confirmed that the opt out checklist used in the Police scheme had been circulated to the board for consideration. Following discussion it was agreed that while the opt out numbers are so low, there was no urgent need to take administrative action.

6. Instructor Allowances – pensionable pay

- 6.1 The Chair introduced George Lindsay (GL), Human Resources Adviser, Scottish Fire and Rescue Service who was deputising for Ramona Coxall today. GL summarised that SFRS proposed to award a percentage allowance to staff who undertook instructional posts.
- 6.2 SS asked if this would be treated a new allowance or retrospective application and how many cases are under consideration. GL advised that this action has arisen from the standardisation of the processes following the creation of the single fire and rescue service and confirmed that discussions are underway with local FBU representative on three specific cases.
- 6.3 The Chair asked GL if these benefits would be administered as additional pension benefits (APBs) members in the final salary 1992 and 2006 schemes. GL agreed and advised that usually these members leave their instructional posts prior to their final three years of service. For those in CARE 2015 scheme, these payments are built in through the careers-averaged mechanism. For final salary members, he proposed that these be treated as APB rather than split pension approach.
- 6.4 Member representatives advised that the treatment of these allowances have been under discussions for some time and were reluctant to make a decision at board level whilst local negotiations are already underway. Members agreed in principle that this allowance could be pensionable but suggested that the discussion should continue at local level with SPPA be notified of the outcome by 1 January 2021.
- 6.5 The Chair asked what percentage of base pay would be used, for the purposes of scheme finances. GL confirmed this is not yet available as it is currently under negotiation.

AOB

None.

Date of next meeting

SS requested SAB meet to discuss draft response to consultation before submission. Secretariat to consider dates for the end of September/early October.

Action – SPPA to propose dates for late September/early October 2020

**These minutes were approved on 29 September 2020 as a correct record
of the meeting held on 10 September 2020.**

Scottish Firefighters' Pension Scheme Advisory Board

64	Secretariat to organise meeting for late September/early October 2020	2020/03 10/09/2020		New
63	McCloud consultation Scheme specific Equality Impact Assessment (EIA) to be arranged	2020/03 10/09/2020		New
62	Secretariat to gather availability for week commencing 23 March 2020	2020/02 02/03/2020		Closed
61	GAD to work with SPPA to provide worked examples for the response to HMT.	2020/02 02/03/2020		Closed
60	SPPA to draft a SAB response to HMT for SAB comment by Wed 18 March 2020.	2020/02 02/03/2020		Closed
59	SPPA to discuss possibility of introducing a check list similar to the police for potential opt outs	2020/02 02/03/2020		Closed
58	SPPA to raise questions at next HMT Technical Working Group	2020/02 02/03/2020		Closed
57	Secretariat to gather availability for week commencing 2 March 2020	2020/01 07/02/2020		Closed
56	FBU to consider pensionable pay proposal and offer view at next meeting	2020/01 07/02/2020	SPPA to be notified of outcome of negotiations by 01/01/2021	Open
55	SPPA to share outcome of STPS opt out comments when analysis available (Nov 2020)	2020/01 07/02/2020		Open

54	SPPA to circulate opt out checklist for consideration	2020/01 07/02/2020	New action to be created for SPPA to discuss with customer services for next meeting	Closed
53	SPPA to amend and circulate minutes of 24 October 2019	2020/01 07/02/2020	Actioned	Closed
52	Secretariat to arrange next meeting for January 2020	2019/01 24/10/2019	Actioned	Closed
51	SPPA to notify Customer Services of possible split pension entitlements	2019/01 24/10/2019	SPPA has had contact from members who thought they should have had a split pension. SPPA Customer Services are dealing with cases as they arise.	Closed
50	Chair to request early consideration of ill-health cases	2019/01 24/10/2019	Raised and under consideration with HMT TWG	Closed
49	SPPA to review opt out data, amend report then circulate to SAB members by email	2019/01 24/10/2019	Circulated 08/11/2019	Closed
48	SPPA to review split pension calculations to date	2019/01 24/10/2019	As AP 51 - actioned	Closed
47	SPPA to amend minutes of 11/12/2018 before publishing on website	2019/01 24/10/2019	Completed	Closed
46	GAD to provide figures to illustrate comparisons of member with reduced accrual rate of 1/56.3 to increase commutation to 20:1 against member with improved accrual rate of 1/52.6	2018/06 11/12/2018	No longer required – remedy paused	Closed

45	SAB to consider default and choice options and provide any comments to SPPA by CoP 23/11/2018. Following review of feedback received 23/11/2018, another meeting should be scheduled if agreement is not reached.	2018/05 14/11/2018	Actioned - meeting scheduled for 14/12/2018	Closed
44	<p>GAD to provide costings on variety of options before next meeting on 14/11/2018:</p> <p>(a) increase CARE accrual rate to 1/52.6 to rectify cost cap (default option)</p> <p>(b) reduce member contributions by 5.2% of pay to rectify cost cap</p> <p>(c) (i) increase CARE accrual rate to rectify ¾ of cost cap breach (3.9%) and reduce member contributions to rectify ¼ of cost cap breach (1.3%)</p> <p>(ii) increase CARE accrual rate to rectify ½ of cost cap breach (2.6%) and reduce member contributions to rectify ½ of cost cap breach (2.6%)</p> <p>(iii) increase CARE accrual rate to rectify ¼ of cost cap breach (1.3%) and reduce member contributions to rectify ¾ of cost cap breach (3.9%)</p> <p>(d) offer members a choice* of:</p> <p>(i) continue current member contribution with increased accrual rate of 1/52.6 (i.e. pay the same for improved benefits), or</p> <p>(ii) reduce member contribution by 5.2% and maintain accrual rate of 1/61.6 (i.e. pay less for same benefits)</p> <p><i>* based on confirmation that this could not be excluded from any contribution reduction under the terms of the directions</i></p> <p>(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%)</p>	2018/04	Actioned	Closed
43	SPPA to add review of contribution rates from April 2018 to Work Plan	2018/03	Actioned	Closed

42	GAD to summarise worked examples if accrual rate is adjusted to 52.6 by next SAB meeting on 01/11/2018.	2018/02	Actioned	Closed
41	GAD to provide figures to illustrate impact of options available to re-set the cost cap: <ul style="list-style-type: none"> with worked examples of lower range earner, mid-range earner and higher earner, and also how increasing the accrual rate may affect the impact of the AA 	2018/01	Actioned	Closed
40	SPPA to circulate Scheme Participation rates quarterly.	2017/13		Closed
39	SAB to make any comments on proposed changes to restricted commutation within 21 days	2017/12	Actioned – SPPA to issue formal response	Closed
38	SPPA to locate historic FPC papers on abatement	2017/11	Unable to locate – for discussion	Closed
37	SAB to pass any comments on the draft amendment order by 8 November 2017	2017/10	Actioned	Closed
36	SPPA to issue details of the Police pension scheme contribution rates	2017/09	Actioned	Closed
35	SPPA to request modellers from GAD to see if contribution tiers could be flattened.	2017/08	Ongoing – to be discussed	Open
34	SPPA requested any comments on the proposed change to the IDRP process by sent to Lorraine Gallagher	2017/07	Actioned	Closed
33	GAD asked that any comments on the assumptions be fed back to SPPA by 17 November	2017/06	Actioned	Closed
32	SPPA to investigate and report back to the group regarding funding for SAB actuarial and legal advice	2017/05	Carry forward	Open
31	SPPA and SG colleagues to meet and discuss proposals for change to SFRS so that consequential pension costs can be assessed	2017/04	ongoing	Open

30	SPPA to investigate if data can be broken down to include the number of members in each scheme	2017/03	Actioned and will be included in all participation data	Closed
29	Clarify guidance regarding quorum to SAB within TOR and report findings to the group	2017/02	Actioned	Closed
28	Secretariat to amend the attendees listed in the minutes	2017/01	Actioned	Closed
27	Secretariat to email the group to advise when minutes have been published to website. Added to open action 2015/7	2015/27	Actioned	Closed
26	SPPA to discuss communications issues with Operations directorate although this is the area of work for Pension Boards.	2015/26	On-going if required	Closed
25	FBU to write to SPPA to request further investigation on club transfers into the modified scheme and will also engage methods to provide figures of affected members to SPPA.	2015/25	On-going	Closed
24	SPPA have given agreement to investigate issues surrounding transfers from 2006 to the 2015 scheme.	2015/24	Awaiting further paper from FBU	Closed
23	FBU to provide comments on the pensionable pay and this item will be carried forward to the agenda for the next meeting.	2015/23		Closed
22	Finalised draft member communication will be shared by SPPA with FBU relating to contracting out.	2015/22	Issued	Closed
21	Updated Action Log will be issued to members proceeding meetings.	2015/21		Closed
20	Holding lines relating to 18-20 issue to be refreshed on the web	2015/20		Closed
19	Ensure all members of the group have been issued with the slide presentation.	2015/19		Closed
18	Chad to feed back to the group the parties who were involved in the customer service review	2015/18		Closed

17	SPPA/SG to establish what participation data is currently provided by SFRS.	2015/17		Closed
16	SPPA to advise the group of the position with the Police scheme regarding removable allowances.	2015/16	Actioned	Closed
15	SPPA to confirm details of when refunds are expected to commence and how tax relief payments to HMRC will be managed	2015/15	Actioned	Closed
14	Chair to continue discussion with SAB member regarding potential conflict of interest	2015/14	Actioned	Closed
13	Secretariat to send a list of proposed dates in September	2015/13	Actioned	Closed
12	FBU to provide a paper to the Scheme Advisory Board on the issue of 2006 transfers into the 2015 scheme	2015/12	Issued – further action in AP 2015/24	Closed
11	SPPA to organise training session on regulations	2015/11	Actioned	Closed
10	Agenda's to be published on the SPPA website	2015/10	Actioned	Closed
9	Minutes to be actions/outcomes based.	2015/09	Completed	Closed
8	Secretariat to circulate draft media and publications policies to SAB members for comment once drafted.	2015/08	Actioned	Closed
7	Secretariat to ensure that approved agendas, minutes and Work Plan are shared with the Pension Board and published on the SPPA website, as appropriate.	2015/07	On-going Minutes to be approved by SAB prior to publishing	Closed
6	SPPA to publish the 2012 valuation report and supporting papers on the SPPA website	2015/06	Actioned	Closed
5	SPPA to provide answers to questions raised, for example through discussion with GAD	2015/05	No questions	Closed

4	Board members to submit questions on the valuations, the associated published papers or the presentation to the secretariat	2015/04	No questions	Closed
3	Members to provide views on need to have standing orders as part of the meeting process.	2015/03	Members to discuss Agenda item	Closed
2	Future meetings to be located in Edinburgh	2015/02	Secretariat will arrange	Closed
1	SPPA to organise and agree background scheme briefing for members	2015/1	Actioned	Closed