



## **ACTIONS AND AGREEMENTS**

**Friday 1 December 2017**

18 Smith Square, Westminster, London SW1P 3HZ

### **PRESENT**

Malcolm Eastwood	Chair
Cllr Thomas Wright	Scheme Employer Representative (LGA)
Cllr John Bell	Scheme Employer Representative (LGA)
Cllr John Fuller	Scheme Employer Representative (LGA)
Fiona Twycross AM	Scheme Employer Representative (LGA)
Cllr Roger Price	Scheme Employer Representative (LGA)
Cllr Roger Phillips	Scheme Employer Representative (LGA)
Dave Limer	Scheme Member Representative (FBU)
Sean Starbuck	Scheme Member Representative (FBU)
Glyn Morgan	Scheme Member Representative (FOA)
Tristan Ashby	Scheme Member Representative (RFU)
Des Prichard	Scheme Member Representative (APFO)
Helen Scargill	Technical Adviser
Karl Bescoby	Aquila Heywood (Presenter)
Shenley Gallimore	Aquila Heywood (Presenter)
Matthew Armitage	Aquila Heywood (Presenter)
Michael Prior	Chair – Wales SAB (Observer)
Clair Alcock	LGA – Board secretariat
Claire Hey	LGA – Board secretariat
Anthony Mooney	Home Office Observer

#### **1. Apologies**

Apologies were received from Sam Rye. Francis Bishop was also not in attendance.

#### **2. Changes to membership**

Two new Scheme Advisory Board members were welcomed to the meeting: Cllr Roger Phillips and Fiona Twycross AM.

Approval of one further nomination is awaited from the minister.

### **3. Conflicts of Interest**

Cllr Phillips declared a potential conflict of interest as Chairman of Hereford & Worcester FRS. Noted.

### **4. Chair's Update**

Malcolm Eastwood informed the group of the events he had attended in capacity as chair of the Scheme Advisory Board

- 2 day Fire AGM
- Fire Commission
- KPMG – pensions dinner
- Home Office arms-length bodies
- TPOS Stakeholder engagement
- Eastern region board training
- TPR Stakeholder engagement
- 1 to 1 with Jayne Baldock (Home Office)

### **5. Home Office update on valuation consultation response**

1. Anthony Mooney confirmed the position on the two recent consultations with the SAB.
  - Past service costs: position is being finalised.
  - Actuarial assumptions: response in writing dated 28 November 2017.
2. The following positions were discussed.

#### **Pensioner Mortality**

3. Home Office agree with the expectation that ONS 2016 table of pensioner mortality projections is used, however, as this assumption is set across all public service schemes by HM Treasury, they await HMT to confirm.

#### **Age Retirement**

4. Home Office will proceed with GAD's assumption that 25 % of 2015 scheme new entrants will retire at age 55, with the remaining 75% retiring at age 60.
5. FBU reiterated their concern that Firefighters are unable to work to age 60 in the numbers anticipated.

## **Commutation**

6. For members with transitional service in the 1992 and 2006 modified schemes, Home Office noted the experience reported by FRAs and GAD have subsequently adjusted the proposed assumption to reflect a 7.5% commutation of 2015 pension within these groups.
7. The employee representatives queried the arrival at an assumption of 7.5 %. Home Office responded that the evidence provided to them suggested an actual figure of 6.3%.
8. Clair Alcock had spoken to First Actuarial regarding the Home Office response. They were happy with response overall and felt that the change to the transitional member commutation assumption to 7.5% of pension represented a reasonable assumption.

## **Data concerns**

9. In relation to the exclusion of data from GAD's analysis, Home Office confirmed that their expectation is that the SAB should lead on improving data quality, and they are happy to work together on this.
10. Helen Scargill advised that instructions for changes to valuation requirements need to be clearer to administrators, using the ill health retirement higher/ lower tier example from 2012. This includes where changes need to be retrospectively actioned.
11. Cllr Fuller proposed that definitions need to be consistent, and that poor quality of data can negatively affect the valuation.
12. Anthony Mooney confirmed that the SAB can ask for clarification on any area of the valuation result, but that the responsibility for data quality lies with the employer.
13. Cllr Phillips confirmed that data quality is a big issue for the Pensions Regulator (TPR). Teachers' Pensions is moving to monthly data collection (MDC) to improve the quality of their data. There is a need for schemes to work with TPR.
14. Clair Alcock commented that the General Data Protection Regulation (GDPR) effective from 25 May 2018 would require data mapping by FRAs and should assist in the data improvement process.
15. Clair Alcock further updated the board that TPR are also introducing the requirement for common and scheme specific data scores from 2018, and as such the board secretariat have agreed with TPR to develop a list of scheme specific data items, either through the admin and benchmarking committee or technical group, and that this work should lead to an increased improvement with data.

16. Anthony Mooney stated it was important to clarify that data was only omitted by GAD from the setting of assumptions, not from the actual valuation calculations.
17. Clair Alcock commented that the reasons for the discrepancies were as outlined in the recent technical group minutes.
- i. IH suggested that TPR and GAD should liaise with each other to establish consistent data standards for the valuation, and FRAs could then feed these requirements back to software providers. IH also felt it is important for GAD to understand the scope of what is being requested within very tight timescales.*
  - ii. HS raised that differences between opening and closing values to indicate in-year movement could be distorted by change of administrators or admin system, or incorrect data received by FRA payroll/ finance teams at either point. HS then pointed out that new items on the data extract will cause discrepancies.*
  - iii. CA confirmed that GAD had agreed these were likely reasons for discrepancies which is why they had no major concerns. Nevertheless authorities whose data had been excluded for these purposes would be contacted individually and invited to work with GAD to improve data inclusion. CA highlighted the case of the upper/ lower tier ill health retirement assumption in the 2012 valuation, whereby all cases had defaulted to upper tier for the year 2012/2013 for the simple reason that there was no data field available within the admin software to record the tier awarded until software delivery in early 2013, as this had been a new request in the 2012 valuation.*
  - iv. CC confirmed that CARE data issues were identified by the ABS process, but these could not be reported on valuation data due to timescales. CA agreed that ABS acts as a data filter and the PPS exercise acts as a further filter, but both occur after GAD's deadline.*

**ACTION:**

- **SAB secretariat to work with FRAs on general data improvement, and specifically feeding back to those FRAs where data was excluded from the assumption settings.**
- **Board secretariat to consider with admin and benchmarking committee to develop a standard list of scheme specific data items.**

## **Comments on Cost Cap**

18. Glyn Morgan asked if the SAB would be able to make a challenge in the future if the assumptions made are shown to be incorrect.
19. Anthony Mooney confirmed that consideration of revising the starting point for the Cost Cap assumptions, falls outside of the Home Office consultation scope – as the Cost Cap is for tracking and monitoring the cost of the scheme, rather than setting contribution rates.
20. Des Prichard asked Home Office if the valuation will give an indication of how close the scheme is to breaching the Cost Cap and whether more information on areas of risk is available. Des suggested that a list of key data items is drawn up.
21. Glyn Morgan added that a risk register would help the Board determine priorities.

## **Other comments**

22. Sean Starbuck commented that the SAB budget had allowed procurement of independent actuarial advice which allowed a good position for challenge of the assumptions. The valuation needs to be as accurate as possible.

## **Devolved government positions**

23. Michael Prior, chair of the Wales Scheme Advisory Board, attended the meeting as an interested observer and commented that it had been helpful to the Wales Board to view the SAB's response, as Wales are around one month behind in the valuation process. They will be raising the same/ similar points in response.
24. Sean Starbuck asserted that it is easier to collect data in the devolved regions. He confirmed that Scotland have individual assumptions, while Wales and Northern Ireland use the same as England.

## **6. SAB website member area demonstration**

1. Claire Hey gave a demonstration of the member area of the SAB website. Log-in details were provided to all members in advance of the meeting. All members were able to access the site and view the member restricted pages, although it became apparent that not all functionality is available if the site is not viewed in full-screen mode.

2. The following comments/ suggestions were made and will be actioned where possible:
  - Add the list of administrators using which software to the site – COMPLETED.
  - Can a search function be added (Cllr Fuller) – COMPLETED.
  - Can the site be bumped up within web search listings (Fiona Twycross AM)
  - Send guest log-in details to the Home Office team and Michael Prior – COMPLETED.
  - Consider development of specific devolved region pages
  - Add Home Office workforce statistics document/ report to the site (Sean) – COMPLETED.

## **7. Altair Member Self Service demonstration – Aquila Heywood**

1. Matthew Armitage, Karl Bescoby and Shenley Gallimore from Aquila Heywood were welcomed to the meeting and gave a demonstration of the Member Self Service (MSS) solution available in Altair. The presentation was well received by the Board and the following comments were received.
2. Des Prichard pressed the team to ensure that adequate cyber security measures were in place where MSS was adopted. The Aquila Heywood team confirmed this was in place.
3. Cllr Phillips is aware that MSS is available at LGPS sites, but not well used. Lack of engagement with MSS may indicate lack of compliance in other areas, therefore the Board should work with the minister and TPR to drive this forward.
4. Board members were interested to know how many FRAs were already providing on-line access to their members through their administrators.
5. Fiona Twycross spoke about monopolisation issues affecting cost and procurement of services. Caution should be exercised when recommending certain companies which removes element of choice.
6. Des Prichard queried whether it is the role of the SAB to make recommendations to employers.
7. Clair Alcock added, that whilst previous conversations on the government dashboard project had queried the value of the government dashboard to Firefighter Pension Scheme members, the dashboard would create a reasonable expectation for members to find information about their pensions on-line.
8. Clair Alcock confirmed that the board would not make recommendations on a particular provider, but asked the Board

whether having seen the technology available for their agreement to recommend that all FRAs should consider providing on-line access.

All agreed.

9. Cllr Fuller commented that at the next meeting of the SAB, the board should undertake a strategic review of administration and management of the pension scheme and consider options to recommend specific actions, potentially over a three year framework to the next valuation.

**ACTION:**

- **SAB to champion use of on-line technology. To further discuss with admin and benchmarking committee**
- **Sub-committees to make recommendations for the SAB to consider at March meeting**

**8. Communication**

1. This item was incorporated into item 7.

**9. ABS/ LPB survey updates**

1. The contents of Paper 1 (ABS survey update) issued prior to the meeting were noted by the Board and all agreed that the Annual Benefit Statement survey should continue to be issued each year.
2. Michael Prior commented that the Yes/ No answers were not necessarily helpful for certain questions.
3. Claire Hey gave a verbal update on the LPB survey that was launched on 28 November, confirming the aim and purpose of the survey. The LPB effectiveness committee had reviewed the questions before the survey was issued. Responses will be reviewed at the next meeting of the committee on 31 January 2018.
4. Clair Alcock mentioned that a spreadsheet is being maintained to track responses to this and other surveys, plus attendance at training and events, to be able to provide targeted support.

**10. SAB branding and communication guidelines**

1. Claire Hey gave a brief summary of Paper 2 (SAB branding and communication guidelines) and comments were invited.
2. Sean Starbuck felt that the four bullet point headings were very similar and suggested changing *guidance* to *compliance*.

3. Glyn Morgan asked for an apostrophe to be added to *Firefighters* in the logo. This amendment is currently outstanding with the LGA marketing team.
4. No further comments were made and the guidelines are agreed pending the above amendments.

## **11. Budget proposal**

1. Clair Alcock gave a verbal report to the meeting of the budget spend this year. Items delivered include:
  - SAB website
  - Actuarial advice
  - Tax awareness seminars
  - Conferences and training sessions
  - Salaries / expenses
2. Clair Alcock invited comments and suggestions on potential inclusions for the next budget, with a starting suggestion of assistance with communications. Clair also asked the Board members for comments and proposals for the future with regards to a paid chair – should this come from the budget or requested from Home Office.
3. Malcolm Eastwood stated for the record that he would not accept payment for the post, but in the future this does need to be a paid post to ensure the level of commitment required.
4. Michael Prior clarified that the remuneration for the chair of the Wales SAB is paid by the Welsh government.
5. Cllr Wright acknowledged and thanked Malcolm for his hard work and dedication.
6. Sean Starbuck commented that there is a business case for external advice and a paid chair within the budget. Sean also proposed an end of year report to FRAs to demonstrate value for money.
7. Cllr Fuller proposed the chair post to be budgeted at 10 days per month, via the Public Appointments team at the Home Office.
8. Cllr Phillips supported the appointment of a paid chair, who would have more influence if paid from the SAB budget rather than under the dictate of Home Office. The LGPS annual budget has to be approved by the minister. Cllr Phillips added that the budget should take into consideration all items that need to be delivered, agreed by the Board secretariat in conjunction with the chair.



9. Fiona Twycross remarked that who makes the appointment is key, rather than where the money comes from.
10. Clair Alcock asked as a final point whether events should be chargeable. All agreed that these should be included in the budget and funded via the levy.

**ACTION:**

- **Secretariat to provide draft budget for board to approve at March meeting**

**12. Technical group update**

1. Clair Alcock gave a background of the technical group for the benefit of the new members. The following update items should be noted by the Board:
  - Two recent statutory instruments laid, instructions to authorities issued
  - HMRC have issued information to deal with contribution holiday in bulk
  - Provided guidance to administrators to deal with tax errors on injury pensions
  - Effect of Brewster (expected to be minimal), Walker still to be determined
  - Voluntary Scheme Pays – no guidance issued
  - Scheme reconciliation – administrators report getting on with the job
  - GDPR guidance to be issued – board should consider whether they wish to commission something
  - Pensionable Pay- discussing with TPO they were keen to discuss possibility of referral
  - IDRPCs
  - Exit cap
2. Technical group actions summary – outstanding actions of note:
  - Nothing to be escalated to SAB
  - Home Office to advise of GMP overpayment strategy
  - Administrators requested some additional scheme pays guidance – Home Office and LGA to consider if this is necessary
  - Split Pension PI – Guidance and regulations don't quite marry. Informal guidance to follow regulations – need to consider HO position on regulations
  - Pensionable Pay in the 2015 scheme – HO to consider a minor technical detail

13. **Update on actions summary/ items delivered**

1. Items highlighted in yellow indicate completed actions since the last meeting:

- Board policies to be drafted – timetabled for next year (March 2018)
- Board to issue survey – completed launched on 28.11.2017
- To note that past service costs on pensionable pay remains a risk
- To request details of key risk factors – completed included in survey questions
- Board to ensure LPBs are aware of their duties and provide central guidance – Ongoing, Clair provides board training, SAB website includes LPB resources page
- Survey FRAs on impact of pensionable pay – Timetable to review by March meeting
- Draft guidance note to boards to ensure they satisfy themselves that pensionable pay is correct in light of Norman V Cheshire – action timetabled before next meeting
- To issue bulletin on PPA – to be done using comms style guide
- Risk strategy
  - LPBS – provided some guidance, working with Essex
  - Board – we will look to provide a risk matrix for the SAB – invite comments on what this should look like (March 2018)
- Tax awareness sessions – In progress, very good reviews so far, attendance has been really high
- Awaiting SoS to appoint new members – nearly complete
- **POST MEETING UPDATE: Cllr Ian Stephens has now been appointed which completes board membership.**
- Secretariat to inform LPB chairs and scheme managers of importance of completing GMP rec – Completed, this has been done via LGA bulletin, chairs update, conference and LPB training
- HO to consult on valuation assumptions – completed response submitted 13<sup>th</sup> October 2017
- Voluntary Scheme Pays – Home Office and LGA to progress
- SAB to survey FRAs on ABS response – completed paper 1 submitted to board

2. Sean Starbuck expressed disappointment that there had been no movement on the pensionable pay issue. There is a job to be done, and though it has been started, further work is needed.

This was agreed and will be progressed.

## **14. Future meeting dates and venues**

### **Scheme Advisory Board Meetings**

All meetings to be held at 18 Smith Square 10.30am until 3.30pm

Friday 9 March 2018

Wednesday 20 June 2018

Wednesday 5 December 2018

It was noted that the October date fell on the conservative party conference. Further dates will be circulated for consultation once all vacancies are filled.

### **ACTION:**

Further consultation dates to be offered for October 2018

### **Committee Meetings**

Cost Effectiveness Committee – 17 January 2018 14.00 to 17.00

LPB Effectiveness Committee – 31 January 2018 10.30 to 14.30

Admin and Benchmarking Committee – 7 February 2018 10.30 to 14.30

## **15. AOB**

1. Board to consider whether they would like to invite Annemarie Allen to feedback from current tax awareness sessions

### **ACTION:**

Board agreed this and asked the secretariat to arrange with Barnett Waddingham.