



ACTIONS AND AGREEMENTS

Monday 23 March 2020

GoTo Webinar

PRESENT

Malcolm Eastwood	Scheme Advisory Board chair
Cllr Nick Chard	Scheme Employer Representative (LGA)
Roger Hirst	Scheme Employer Representative (LGA)
Cllr Roger Phillips	Scheme Employer Representative (LGA)
Tristan Ashby	Scheme Member Representative (FRSA)
Brian Hooper	Scheme Member Representative (FBU)
Matt Lamb	Scheme Member Representative (FBU)
Pete Smith	Scheme Member Representative (FBU)
Sean Starbuck	Scheme Member Representative (FBU)
Glyn Morgan	Scheme Member Representative (FOA)
Des Prichard	Scheme Member Representative (FLA)

Jane Marshall	Legal Adviser
Craig Moran	First Actuarial
Rob Hammond	First Actuarial
Amar Pannu	Home Office
Anthony Mooney	Home Office
Neil Hawthorne	Government Actuary's Department
Philip Hayes	Scheme Member Representative (FRSA)

Clair Alcock	LGA – Chair
Claire Hey	LGA – Board secretariat (Minutes)

1. Introductions and apologies

- 1.1. Clair Alcock (CA) welcomed all to the meeting. Attendees introduced themselves. CA explained that the priority was to agree the Board's response to [HMT's working proposals](#) to address unjustified age discrimination in transitional arrangements to the 2015 pension schemes.
- 1.2. Apologies were received from Cllr Roger Price, Cllr Nikki Hennessy, and Cllr Ian Stephens.

- 1.3. CA shared the document online for the benefit of the group in order to address points which required Board clarification or agreement

Agreement of Board response to HMT proposal

2. Length of document

- 2.1. CA asked for views on whether the length of the document is appropriate at 24 pages, to ensure that key points will be picked up by HMT. The consensus was that the document length is appropriate.
- 2.2. Cllr Roger Phillips (RP) said that the Treasury is looking for a quick and simple answer in the first instance, which is addressed in the covering letter. The full response provides a useful evidence base on the challenges and work that the Board and FRAs will need to do.

3. Ability of SAB to recommend a further option

- 3.1. CA stated that the working group's discussions had identified scope for a third option or modification to the existing proposals due to the long-term challenge of implementing deferred choice. The group felt that this could be mitigated by an indicative election to be made at the end of the remedy period and consideration should be given to whether this would be a government- or member-led default.
- 3.2. The existing proposal is for a government-led default; however, it appears this would not be beneficial in all cases for FPS 2006 members. An option for a non-binding indicative choice, supported by a statutory underpin at retirement would increase certainty for members and employers.
- 3.3. CA highlighted that operating a two-stage election process would increase administrative complexity, so the value would need to be clearly evidenced. CA asked the Board for views to gauge appetite for expanding on this point in either the letter or full response. Each member was asked for their opinion in turn.
- 3.4. Brian Hooper (BH) stated that the decision should rest with the member at retirement. Des Prichard (DP) said that it is helpful to include additional observations and comments in the informal response, to inform the full consultation. DP added that the suggestion may otherwise be lost at this stage, and that the complexities could be worked on in the meantime.

- 3.5. Glyn Morgan (GM) recommended leaving the modification option in and suggested that complexity could be reduced by advising members of their default which they could request to adjust only if they were not content. Malcolm Eastwood (ME) agreed it should be included but kept as simple as possible.
- 3.6. Matt Lamb (ML) expressed a preference for deferred choice. ML acknowledged that this could cause an issue with contribution payments, so a modification to the default would be sensible for scheme members. However, communications will be key to remedy and a further option could make this more challenging.
- 3.7. Roger Hirst (RH) felt it must be included, to avoid unnecessary liability. RP agreed that the Board should support the most legally secure model, while also considering member communications and reassurance.
- 3.8. Sean Starbuck (SS) explained that he had attended a roundtable with HMT and raised the scope for SABs to propose variations. HMT welcomed this approach and advised that alternatives should be submitted, as the two options proposed may not suit all schemes.
- 3.9. CA asked whether further work should be done now on an additional option. SS responded that the document includes enough detail to highlight that there is a concern which should be considered within the full consultation.
- 3.10. Tristan Ashby (TA) agreed with points already raised and added that a clear third option may become apparent as more information is known about post-remedy arrangements.

4. Positioning of stakeholder/ consultation information

- 4.1. At present, details of the stakeholders consulted, and method used to assist the Board in their response can be found at the end of the document. Further to comments received, CA asked the meeting if this information should be included in the covering letter. Anthony Mooney (AM) confirmed that the Home Office have no view either way as HMT have not given guidelines on how findings should be presented. This will be for the SAB to decide but does need to be included somewhere.
- 4.2. DP felt that how the Board consulted with stakeholders should be included within the first few paragraphs. SS agreed the information should be moved to the covering letter for transparency.

5. Cost

- 5.1. CA asked for specific comments on the cost assumptions used. Administrators had indicated that the bulk of the cost would be incurred by immediate changes needed for either option, with a small additional ongoing cost for deferred choice. This was estimated at 10% for the purposes of the response.
- 5.2. SS queried how the 10% figure had been arrived at. CA confirmed that the deferred cost is a maintenance charge rather than labour/resource, so a nominal amount was used to illustrate the difference between options. RH commented that that 25% seemed more likely, based on his experience as a pension trustee, and asked if any other schemes could be approached to benchmark against.
- 5.3. DP remarked that any response to the Government needs to be evidence based. DP suggested that the wording be amended to replace “effort” with “resource burden” and that the response highlights that independent administrators and scheme managers had been consulted in order to provide an estimate of increased costs.
- 5.4. A comment was raised by Cllr Nick Chard (NC) regarding assessment of the options. NC agreed with the five key elements considered in the main body of the response but wished to revisit a hierarchy which could be used to clearly evidence the most important issues to HMT. NC felt that the order should be:
- i. Risk
 - ii. Impact on FRS
 - iii. Cost
 - iv. = Scheme ability
 - iv. = Technical ability
- 5.5. CA noted that lack of certainty in relation to actuarial cost is a concern to the Board as the options cannot be properly assessed.

6. Risk

- 6.1. CA explained that the following points in the section of the response relating to risk had been expanded on:
- Future legal challenge of immediate choice.
 - Lack of forward view and how choice might be affected by post-remedy arrangements.
 - Uncertainty over future valuations and cost-cap judicial review.

7. Impact on FRS

- 7.1. CA noted that Finance and HR stakeholder representatives were keen to make the point via the technical discussions that immediate choice would offer more certainty to employers in the short-term, in terms of budget and workforce planning.
- 7.2. It was acknowledged that both options carry reputational risk as a result of poor management and/ or governance and that this is more challenging for FRAs due to the infrastructure in place. It was agreed that immediate choice is already a significant risk, and deferred choice just extends this.
- 7.3. RP explained that the Home Office and FFN chair had given a presentation at the recent LGA annual fire conference on the Comprehensive Spending Review and Fair Funding and had recognised that additional pension costs would feed into these. CA confirmed that she had been in touch with the relevant parties to highlight the Board's work on remedy.
- 7.4. SS advised that the FBU do not agree that reputational risk associated with deferred choice would be higher, as more information will be available to the member. CA asked if this was also seen as applicable to governance risks. SS noted that overall governance needs to be improved and that spreading the workload mitigates risk.
- 7.5. NC commented that deferred choice delays rather than increases reputational and governance risk. GM agreed with SS that more experience and systems in place as time goes on would reduce these risks. The response will be amended to reflect this.

8. Summary and next steps

- 8.1. CA summarised the following agreed points and actions:
- The Board are comfortable with the length of the document and points raised.
 - The Board are comfortable with the decision to suggest a third option, with further investigation after the response is submitted.
 - The points made on cost have been well considered and need to be well evidenced, by strengthening the wording and rationale.
 - Comments around reputational and governance risk will be incorporated.
 - A point around interest on contributions will be added.
 - CA will offer relevant learning from FPS 2006 special members exercise to HMRC.

8.2. CA commented that the document was close to being finalised once comments from the meeting were incorporated, and each member of the group was asked for final observations. Most of the group confirmed they had no further comments; individual remarks are noted below.

8.3. ME said that he was happy overall and emphasised that clarity and transparency is important. ME asked for an actuarial view regarding the cost differential of either 10% or 25%.

8.4. The following comments were received from Cllr Roger Price by email:

- i. I agree with the letter that is proposed to be sent.*
- ii. I agree that consultation should take place with the Police provided that they also share thoughts with us.*
- iii. Whatever scheme is agreed the Full Employer costs must be met by the Government.*
- iv. No Pensioner/Employee should lose out in their pension in relation to what they have paid for.*
- v. The Government needs to come up with a much simpler pension scheme which is easy to understand by pensioners and is much easier to administrate.*

8.5. ML requested clarity on next steps and timescales. CA explained that there is no fixed deadline for responses, although these are requested as soon as possible, and the Secretariat are working to the end of March. CA noted that COVID-19 is having an impact on other areas of work for all departments. CA said that the final response will be agreed by email with one further call for verbal sign-off.

8.6. NC reiterated that the response needs to make clear that the top priority and risk is avoiding future legal challenge. RH echoed these comments and noted his full support of the draft response with amendments as discussed.

8.7. SS observed that the clarity was needed around funding arrangements and that the response needs to emphasise that the biggest risk is risk itself. SS suggested asking First Actuarial for a view on the accuracy of the estimated cost variance.

8.8. TA fully supported the response and hoped that the Government would support an open and honest dialogue throughout the process. The Board thanked CA for drafting a considered and comprehensive response.

- 8.9. CA asked First Actuarial for comments on the difference in cost of administering immediate or deferred choice. Rob Hammond (RHA) deferred to Helen Scargill of WYPF, who was unable to join the meeting. However, RHA stated the response should make clear that there is no supporting evidence yet to support the estimated additional cost of deferred choice.
- 8.10. Jane Marshall (JM) was asked for thoughts from a legal perspective and confirmed that the document was clear, logical, and covered all points raised.
- 8.11. AM noted that the Home Office would like to receive the response by 3 April if possible, in order for formal consultation to begin in late spring/ early summer. AM confirmed that the working paper is a central government document, and that the Home Office are always as open and honest as possible with stakeholders.
- 8.12. SS was aware that some SABs have already made a response and highlighted that the document should not be submitted too early in case of further developments. CA committed to ensuring the FPS (England) SAB response would be as up to date with learning as possible before submission on 3 April.
- 8.13. On communications, CA shared a draft template of benefit projections which GAD had developed for the Police scheme. CA acknowledged that it would be difficult to agree a similar document by committee, but it was shown to illustrate the level of knowledge and commitment from the Government and would be helpful in starting conversations. CA confirmed that thought would be given to communications (what, how, when) after the response is submitted.
- 8.14. CA asked the Board if they were happy for the response to be shared with the Police SAB on a mutual basis. CA noted that it would be helpful to share learning as widely as possible. There were no objections. CA confirmed that the objectives for the meeting had been met, actions would be taken forward, and the Board contacted in due course with any next steps.
- 8.15. ME concluded the meeting by thanking all parties and highlighting that matters are extremely complex, which is likely to continue for some time. ME hoped that the work undertaken will prove to be worthwhile.