

## New Pension Board for Firefighter Pension Schemes

### Report of the Chief Fire Officer

For further information about this report please contact John Redmond, Chief Fire Officer, on 01743 260201 or Louise McKenzie Assistant Chief Fire Officer on 01743 260280.

### 1 Purpose of Report

This report informs of the requirement under the Public Services Pensions Act 2013 for public sector pension schemes to establish, by 1 April 2015, a Pension Board for, in this instance, the Firefighter Pension Schemes.

### 2 Recommendations

Subject to any further changes arising from imminent national guidance, the Fire Authority is asked to:

- a) Note the mandatory requirement to establish a Pension Board by 1 April 2015;
- b) Agree the composition of the Pension Board;
- c) Agree the position of the Pension Board in the constitution;
- d) Agree the initial budget allocation for the Pension Board;
- e) Note the draft terms of reference of the Pension Board; and
- f) Delegate to the Assistant Chief Fire Officer the task of establishing the Pension Board.

### 3 Background

Consultation by the Department for Communities and Local Government (DCLG) on the establishment of Pension Boards for Fire and Rescue Authorities closed in November 2014. As yet, however, the outcome and associated guidance has not been published. In response to demand from authorities, national 'draft' guidance, excluding the employer cost cap element is due to be published shortly. This paper has been produced in order to meet the deadlines for establishing the Board. It may be necessary, however, to revisit the recommendations above, when final details are known.

As reported to the Standards and Human Resources Committee in November last year, the Independent Public Service Pensions Commission, known as the Hutton Review, reported in March 2011 and made a number of recommendations relating to public sector pensions. Included was a recommendation that “every public service pension scheme should have a properly constituted, trained and competent pension board, with member nominees, responsible for meeting good standards of governance, including effective and efficient administration” (Hutton Review recommendation 17). The Public Service Pensions Act 2013 was enacted in April 2013 to give effect to such arrangements from 1 April 2015.

The purpose of the Act is to make pension schemes more accountable to members and taxpayers. The Act also requires that “scheme regulations... must provide for a person to be responsible for managing or administering... called the Scheme Manager”. In the Fire and Rescue Service the Scheme Manager will be the relevant Fire Authority. The Act has a number of other key elements, including:

- New public sector pensions schemes and key design elements;
- Independent oversight role of the appropriateness of valuations and employer contribution rates; and
- Extending the Pensions Regulator role.

To increase accountability two new bodies will be established. The first will be the National Scheme Advisory Board, whose primary role will be to advise the Secretary of State for the Department for Communities and Local Government (DCLG) on desirable changes to Scheme regulations, when requested.

The second is a local Pension Board to be formed by each fire and rescue authority. This Board may be advised by the National Scheme Advisory Board and is there to assist the Scheme Manager in the efficient and effective administration of the Pension Scheme.

In addition to the Act the Government is bringing in new regulations relating to firefighter pensions and the Firefighter Pension Scheme 2015 comes into being in April this year.

## **4 Pension Board Considerations**

The DCLG’s approach has been to provide a broad regulatory framework, within which fire and rescue authorities should set up their board locally, while meeting the core objectives, as set out in the Act.

### **4.1 The role and position within the constitution**

The role of the Board would be to assist the Scheme Manager in:

- Securing compliance with regulations relating to governance and administration;
- Other requirements, detailed by the Pension Regulator; and
- Other matters as detailed by the Regulations.

Some specific examples of activity may include reviewing decisions made under the regulations; reviewing management, administrative and governance processes; reviewing the compliance of the scheme employer; and assisting with development and continual review of member and employer communications.

This is potentially a wide-ranging role and allows, for instance, the Board to look at the systems underpinning the administration of the Scheme or how decisions are taken. The local Pension Board is not, however, a decision-making body and it would not replace existing committees in that role. It will instead sit alongside current governance arrangements to secure compliance and feed directly into the full Authority as appropriate.

## **4.2 Composition**

The Scheme Manager must determine membership of the Board and the mechanism for appointments and removal. The Board must have an equal number of Scheme member and employer representatives and must consist of at least four members. It is proposed in the draft terms of reference that this is a suitable number for the size of this Authority.

Scheme members may be, but are not limited to, trade union representatives. At the time of writing this report they must be in Scheme employment (i.e. not retired), although the rationale for this is being investigated further by DCLG. Employer representatives may be, but are not limited to, councillors or officers of the authority.

Board members must have the capacity to fulfil the role, i.e. the time to commit to meetings and training.

## **4.3 Chairing the Pension Board**

The guidance to date provides three options for the role of chair, namely:

- a) An independent chair;
- b) A board appointed chair; or
- c) A fire and rescue authority appointed chair.

An independent chair may bring valuable skills and experience to the Board, especially in the early days, but there is likely to be a cost. It is, therefore, proposed that officers undertake further research into these options, before proposing a solution to the first meeting of the Pension Board later in 2015. Voting rights will also need to be considered in the context of making that decision.

## **4.4 Skills and Training**

Although the Board may have independent advisors, the individuals must be conversant with the rules of the Scheme and any document recording policy about the administration of the Scheme. They must also have knowledge and understanding of the law relating to pensions and such other matters, as may be prescribed. The Scheme Manager must be satisfied that individuals have the capacity to represent either the employer or scheme members.

The Local Government Association has indicated that training will be available regionally in June 2015

#### **4.5 Budget Provision**

The Scheme Manager shall determine whether expenses should be paid in relation to running the local board. The DCLG's view is that costs should be paid on an exceptional basis and only to recover costs expended. Obtaining specialist advice, for example actuarial advice, is acceptable and, therefore, a budget would need to be allocated. It is also reasonable to assume some funding may be needed for training. Officers, therefore, recommend that a budget of £3,000 be made available at this stage, which can be accommodated from within existing pensions budgets.

### **5 Draft Terms of Reference**

Draft terms of reference, as issued nationally, are attached at Appendix A and should cover:

- a) Function of the Board
- b) Membership
- c) Voting Rights
- d) Appointment of Chair
- e) Role of Advisors / Officers
- f) Administration of meetings
- g) Quorum
- h) Budgets
- i) Reporting
- j) Means of escalating issues

### **6 Draft Appointments Process / Establishing the Board**

Appendix B details the national draft appointments process. Officers are mindful that the Pension Board needs to be in place by April 2015. Whilst it cannot be fully operational by this date, as the national training is not planned until June 2015, officers will undertake as much preparation as possible. It is, therefore, proposed that the Authority delegate responsibility for establishing the Board to the Assistant Chief Fire Officer.

### **7 Financial Implications**

There are minimal foreseeable financial implications arising directly from this report at this stage, although in due course there are likely to be costs associated with obtaining specialist advice and reimbursing Board members for expenses. At this stage a provision of £3,000 could be accommodated from existing budgets.

### **8 Legal Comment**

There are no legal implications arising from this report other than compliance with the Public Service Pensions Act 2013 and the Firefighter Pension Scheme Regulations.

## **9 Initial Impact Assessment**

This report contains merely statements of fact. An Initial Impact Assessment is not, therefore, required.

## **10 Equality Impact Assessment**

There are no equality or diversity implications arising from this report. An Equality Impact Assessment is not, therefore, required.

## **11 Appendices**

### **Appendix A**

Shropshire and Wrekin Fire and Rescue Authority  
Pension Board Draft Terms of Reference

### **Appendix B**

Draft Appointment Processes

## **12 Background Papers**

### **Standards and Human Resources Committee**

6 November 2014

Paper 11b Pension Board for Firefighter Pension Schemes

## Shropshire and Wrekin Fire and Rescue Authority

### Pension Board Draft Terms of Reference

#### Statement of Purpose

The purpose of the Board is to assist Shropshire and Wrekin Fire and Rescue Authority in its role as a scheme manager of the Firefighters Pension Scheme. Such assistance is to:

- (a) Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- (b) Ensure the effective and efficient governance and administration of the Scheme.

#### Duties of the Board

The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members:

- (a) Should act always in the interests of the scheme and not seek to promote the interests of any stakeholder group above another.
- (b) Should be subject to and abide by Shropshire and Wrekin Fire and Rescue Authority code of conduct for members.

#### Membership

The Board will comprise an equal number of employer and member representatives with a minimum requirement of no less than four in total.

#### *Member Representatives*

Two member representatives shall be appointed to the Board.

Member representatives shall either be members of the scheme administered by Shropshire and Wrekin Fire and Rescue Authority or have experience of representing pension scheme members in a similar capacity.

Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

#### *Employer representatives*

Two employer representatives shall be appointed to the Board.

Employer representatives shall be office holders or senior employees of Shropshire and Wrekin Fire and Rescue Authority or have experience of representing scheme employers in a similar capacity. Office holders or employees of Shropshire and Wrekin Fire and Rescue Authority with delegated responsibility for discharging the scheme manager function of Shropshire and Wrekin Fire and Rescue Authority may not serve as employer representatives.

Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Employer representatives shall be appointed by Shropshire and Wrekin Fire and Rescue Authority in a manner which it considers best promotes the purpose of the Board.

### **Other Members**

[Insert number to be no greater than the combined number of employer and member representatives] other members shall be appointed to the Board by Shropshire and Wrekin Fire and Rescue Authority.

Other members [*shall / shall not*] be ex-officio members.

Any appointments of other members shall have regard to the best interests of the purpose of the Board.

### **Appointment of chair**

Shropshire and Wrekin Fire and Rescue Authority shall appoint an (*delete as appropriate*):

- (Option 1) independent chair
- (Option 2) Board appointed chair
- (Option 3) Shropshire and Wrekin Fire and Rescue Authority appointed chair

The duties of the chair should be in accordance with the duties of a chair within Shropshire and Wrekin Fire and Rescue Authority.

### **Notification of appointments**

On appointment to the Board Shropshire and Wrekin Fire and Rescue Authority shall publish the name of the appointees, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

### **Conflicts of interest**

All members of the Board must declare to Shropshire and Wrekin Fire and Rescue Authority on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Board.

On appointments to the Board and following any subsequent declaration of potential conflict Shropshire and Wrekin Fire and Rescue Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of Shropshire and Wrekin Fire and Rescue Authority and the requirements of the Pensions Regulators codes of practice on conflict of interest for Board members.

### **Knowledge and Understanding (including Training)**

Knowledge and understanding must be considered in light of the role of the Board to assist Shropshire and Wrekin Fire and Rescue Authority in line with the requirements outlined in section 2 above. The Board should establish and maintain a policy and framework to address the knowledge and understanding requirements that apply to Board members. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.

Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.

Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

### **Term of Office**

Term of Office should be in accordance with the committee cycle in Shropshire and Wrekin Fire and Rescue Authority.

Board membership may be terminated prior to the end of the term of office due to:

- (a) A member representative appointed on the basis of their membership of the scheme no longer being a member of the scheme
- (b) A member representative no longer being a member of the body on which their appointment relied
- (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied
- (d) The representative no longer being able to demonstrate their capacity to attend and prepare for meetings or to participate in required training.

### **Meetings**

The Board shall as a minimum meet [*insert number*] times per year or the same number of times as the [*insert name of section 101 committee or officer with delegated scheme manager functions*] formally meets. Meetings shall normally take place between the hours of [*insert time*] and [*insert time*].

The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.



## Quorum

*either*

The total number of members required to be present for a meeting to be quorate is [*insert number*] plus the chair or deputy chair.

*or*

A meeting is only quorate when at least xx% of both member and employer representatives are present plus the chair or deputy chair.

## Voting

The Chair shall determine when consensus has been reached.

Where consensus is not achieved this should be recorded by the Chair.

## Requests for Information

In support of its core functions the Board may make a request for information to [*insert name of section 101 committee or officer with delegated scheme manager functions*] with regard to any aspect of the scheme manager function. Any such a request should be reasonably complied with in both scope and timing.

## Recommendations

In support of its core functions the Board may make recommendations to [*insert name of section 101 committee or officer with delegated scheme manager functions*] which should be considered and a response made to the Board on the outcome within a reasonable period of time.

## Interpretation

In these terms of reference:

'the Scheme' means the Firefighters' Pension Scheme.

'Regulations' means the Firefighters' Pension Scheme 1992 as amended, the Firefighters' Pension Scheme 2006 as amended and the Firefighters' Pension Scheme Regulations 2014 as amended, the Pension Regulators Codes of Practice as they apply to the scheme manager and pension board and any other relevant legislation applying to the Scheme.

**V3 27-11-2014**

## Annex A

### Draft Appointment Processes

#### Directly Appointed Member Representatives

1. Every member of the scheme administered by Shropshire and Wrekin Fire and Rescue Authority shall be sent a nomination pack to include the terms of reference, an invitation to nominate themselves or another appropriate person as a member representative, a nomination form and a voting form.
2. Any nomination should include information as to how the nominee meets the requirements of the role as set out in the terms of reference and how their appointment would be in the best interests of the purpose of the Board.
3. Nominations shall be posted on the website of Shropshire and Wrekin Fire and Rescue Authority together with instructions for the completion and submission of voting forms.
4. The [*insert number*] nominees with the most number of votes shall be appointed to the Board.

#### Independent Chair

1. Shropshire and Wrekin Fire and Rescue Authority shall place an advertisement for an independent chair of the board in the appropriate media to include but not be restricted to:
  - (a) The website of Shropshire and Wrekin Fire and Rescue Authority
  - (b) One local media outlet
  - (c) An employer newsletter
  - (d) A member newsletter
2. The advertisement should ask for applications for the role of independent chair and should include information as to how to apply together with a description of the role.
3. Applications should be submitted to [*insert section / officer of fire and rescue authority*] and show how the candidate meets the requirements of the role as set out in the terms of reference and how their appointment would be in the best interests of the purpose of the Board.
4. [*insert section / officer of fire and rescue authority*] shall score the applications against the requirements of the role as set out in the terms of reference and the highest scoring candidates should make up the shortlist.

V3 27-11-2014