

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**7 SEPTEMBER 2015**

1. **UPDATE FROM THE PENSIONS BOARD – FIREFIGHTERS’ PENSION SCHEMES**

Report of the Deputy Chief Fire Officer

RECOMMENDED

- 1.1 THAT the Audit Committee as Scheme Manager approve the Terms of Reference for the West Midlands Fire Rescue Authority - Pension Board.
- 1.2 THAT the ‘Scheme Manager’ notes that the Pension Board agenda and minutes will be shared on the Committee Management Information System (CMIS) and will be available for public scrutiny.

2. **PURPOSE OF REPORT**

This report seeks approval of the Terms of Reference for the West Midlands Fire and Rescue Authority (WMFRA) Local Pension Board. The Terms of Reference were agreed by the Local Pension Board at its inaugural meeting which took place on 21 July 2015.

3. **BACKGROUND**

- 3.1 The Independent Public Service Pensions Commission known as the Hutton Review reported on 10 March 2011 and made a number of recommendations relating to Public Sector pensions including 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, 25 April 2013, enacted this with the effective date being 1 April 2015.

- 3.2 As part of this enactment WMFRA, at its meeting of 16 February 2015, agreed that the Authority would delegate the responsibility of the 'Scheme Manager' for the Firefighters' Pension Scheme to the Audit Committee and agreed to establishment of a Pension Board and ensure compliance to the Act.
- 3.3 The role of the Board is to assist the Scheme Manager in:-
- Securing compliance with Regulations relating to Governance and Administration.
  - Other requirements detailed by the Pension Regulator.
  - Other matters as detailed by the Regulations.
- 3.4 In their role the Pension Board members must not have a conflict of interest. This is defined in the Public Service Pension's Act 2013 as "financial or other interest which is likely to prejudice the person's exercise of functions as a member of the Board".
- 3.5 The Board must have employer representatives and member/employee representatives in equal measure and may have independent advisors. The individuals on the Board must be conversant with the rules of the Scheme and any document recording policy about the administration of the Scheme. They must have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.
- 3.6 The role of the Board is one of oversight, not decision making, the Board will assist the Audit Committee and sit alongside it in the role of securing compliance.
- 3.7 The inaugural meeting of the Pension Board took place on 21 July 2015 and the 'Board' agreed the draft Terms of Reference. (Appendix 1). The minutes and action log are attached as Appendix 2 and 3 to this report.

#### **4. EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to and/or do not relate to a change in policy.

5. **LEGAL IMPLICATIONS**

There is a statutory requirement for public bodies to comply with the Public Service Pension Act 2013.

6. **FINANCIAL IMPLICATIONS**

Any setting up and ongoing costs relating to the Pension and Scheme Advisory Board will be met from within existing budgets.

7. **BACKGROUND PAPERS**

Public Service Pension Act 2013  
Fire Pensions Regulations

The contact officer for this report is Deputy Chief Fire Officer Philip Hales telephone number 0121 380 6907.

PHIL HALES  
DEPUTY CHIEF FIRE OFFICER

**Terms of Reference for the Pension Board of the West Midlands Fire & Rescue Authority**

Terms of Reference and Delegated Authorities

1. **Introduction**

The purpose of this document is to set of the terms of reference for the local Pension Board of the West Midlands Fire & Rescue Authority.

2. **Role of the Pension Board**

The role of the local Pension Board as defined by section 5(1) and (2) of the Public Service Pensions Act 2013 is to-

- Assist the Scheme Manager:
  - to secure compliance with the Scheme regulations and any other legislation relating to the governance and administration of the **Firefighters'** Pension Scheme ("the Scheme").
  - to secure compliance with requirements imposed in relation to the Scheme by the Pensions Regulator.
  - in such other matters as the Scheme regulations may specify.
- Secure the effective and efficient governance and administration of the Scheme for the West Midlands Fire & Rescue Authority.
- Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also ensure that the Scheme is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

### 3. **Appointment of Member of the Pension Board**

The process for selecting members of the Pension Board is set out below:-

The Fire Service will consider matters such as who is eligible to stand, how the nomination process will work and what sort of information candidates will need to submit. The Service will appoint through election or selection with the rules of governing the process. The Fire Authority has an independent chair who will chair the Pension Board meetings, this role will be an independent role.

The Pension Board shall consist of 5 members and be constituted as follows:-

- i) 2 employer representatives, which have been identified, and appointed
- ii) 2 scheme member representatives, which have been identified, and elected
- iii) 1 independent chair selected.

Scheme member and employer representatives shall be appointed in equal number and shall together form the majority of the Board's membership.

The Chair of the Pension Board will be determined by the Authority. It will be the role of the Chair to ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met.

The term of office for the Chair will be determined by the Scheme Manager.

Each employer representative and scheme member representative so appointed shall serve for a fixed period (of up to three years) which can be extended for further period(s) subject to re-nomination and/or election.

Each Board Member should endeavour to attend all Board meetings during the year and is required to attend at least 2 meetings each year. In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Scheme Manager.

The Board may, with the approval of the Scheme Manager, co-opt persons who are not members of the Board to serve on sub committees, particularly where this would add skills and experience. Notwithstanding the appointment of co-opted members, the majority of the Board shall be comprised of employer and Scheme member representative, represented in equal number.

4. **Quorum**

The Board shall have a formal quorum when at least one employee representative and one employer representative are in attendance.

Advisors and co-opted persons do not count towards the quorum. Deleted (except substitute member)s.

5. **Conflicts of Interest**

The policy for identifying conflicts of interest is set out in a separate policy document. Any conflicts of interest that would prevent you from carrying out the role effectively will need to be highlighted to the Service.

6. **Board Review Process**

The Board will undertake at the first meeting of the year, a formal review process to assess how well it and its committees and the members are performing with a view to seeking continuous improvement in the Board's performance.

7. **Advisers to the Board**

The Board may be supported in its role and responsibilities through the appointment of advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties including:-

- A Governance Adviser.
- The Fund's Actuary.
- The Fund's Administrator.
- The Scheme Manager.
- Other advisers, so approved by the Scheme Manager.

The Board shall ensure that the performance of the advisers so appointed are reviewed on a regular basis.

8. **Knowledge and Skills**

The Code of Practice No. 14 Governance and Administration of public service pension schemes states “A member of the Pension Board must have a working knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the function of their role. Pension board members should be aware of the range and extent of the law relating to pensions which apply to their Scheme and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties”.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members should regularly review their skills, competencies and knowledge to identify gaps or weaknesses. Pension Board members will be expected to attend training to ensure that their knowledge and skills are maintained.

9. **Board Meetings – Notice and Minutes**

The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board or Board Committee, they shall be circulated to all members of the Board and forwarded to the Scheme Manager.

There will be two Pension Board meetings a year to be held six monthly. The minutes of the Pension Board will be approved by the Scheme Manager and shared with pension scheme members.

10. **Remit of the Board**

The Pension Board must assist the Scheme Manager with such other matters as the Scheme regulations may specify. It is for Scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails.

11. **Standards of Conduct**

The role of Pension Board members requires the highest standards of conduct and therefore the 'seven principles of public life'<sup>1</sup> will be applied to all Pension Board members and embodied in their code of conduct.

These are:-

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership.

12. **Decision Making**

Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will, as far as possible, reach a consensus. The Independent Chair of the Pension Board will not have voting rights.

13. **Publication of Pension Board Information**

Scheme Members and other interested parties will want to know that the Scheme is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with Scheme regulations, the governance and administration of the Scheme and requirements of the Pension Regulator.

Up to date information will be posted on the West Midlands Fire & Rescue Authority website showing:-

- The names and information of the Pension Board members.
- How the Scheme members are represented on the Pension Board.
- The responsibilities of the Pension Board as a whole.
- The full terms of reference and policies of the Pension Board and how they operate.

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Footnote deleted



- The Pension Board appointment process.
- Who each individual Pension Board member represents.
- Any specific roles and responsibilities of individual Pension Board members.

Pension Board papers, agendas and minutes of meetings will be published on the West Midlands Fire & Rescue Authority website. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they are deemed as being confidential for the purposes of the Data Protection Act 1998.

The Scheme Manager will also consider requests for additional information to be published or made available to individual Scheme members to encourage Scheme member engagement and promote a culture of openness and transparency.

14. **Accountability**

The Pension Board will be collectively and individually accountable to the Scheme Manager.

15. **Expense Reimbursement [Remuneration and Allowances]**

There will be no specific remuneration for undertaking the role of representative on the Local Pension Board. However, travel expenses in line with public transport or car mileage may be claimed with a valid receipt.

16. **Reporting Breaches**

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in the Authority's Whistle Blowing Policy attached here: [the Whistle Blowing Policy](#).

17. **Definitions**

The undernoted terms shall have the following meaning when used in this document.

"Pension Board" or Authority "Board"	Means the local Pension Board for the Fire  as required under the Public Service Pensions Act 2013.
"Scheme Manager"	Means the West Midlands Fire & Rescue Authority as administering authority of the Pension Fund.

"Chair"	Reference to duties to be performed, or authorise exercised, by the Chair.
"Scheme"	Means the Firefighters' Pension Schemes.
"West Midlands Fire & Rescue Authority"	Means the West Midlands Fire & Rescue Authority.

18. **Interpretation**

Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.

**21 July 2015 at 1400 hours**

## **Minutes of a Meeting of the Pensions Board**

**at Fire Service Headquarters, Vauxhall Road, Birmingham**

**Present:** Mr David Wilkin (Chair)  
Mr Kal Shoker  
Ms Wendy Browning-Sampson  
Mr Andrew Dennis  
Mr Stuart Bourne  
Mr Paul Gwynn (Adviser)

1/15     **Declarations of Interest**

No Declarations of Interest were received.

All Members of the Board to forward their Declarations of Interest Forms to the Monitoring Officer for noting.

2/15     **Terms of Reference**

The Chair clarified the draft terms of reference. Several amendments were made to the Terms of Reference and the final version attached to the minutes as an Appendix were forwarded to the Scheme Manager for final approval.

3/15     **Governance**

The Chair outlined the areas of Governance to be considered as:

- Information Exchange to/from Scheme Manager;
- Discretions;
- Expenses incurred in undertaking the role;
- Training and Knowledge;
- Annual effectiveness assessment;
- New Regulations/Legislation or Codes of Practice;
- Audit Internal Review.

The Adviser to the Board provided an update on a Legal challenge - transitional fire pension arrangements which involves an ongoing dispute regarding commutation factors.

The Adviser agreed to provide the Members of the Board with regular updates on legislative changes and ongoing issues in the Pensions environment and to provide a report for the Audit Committee.

It was felt that the Scheme Manager would provide feedback to the Pensions Board via the Audit Committee minutes.

All Members of the Board had attended LGA Pension Board Training in London on the 20 July 2015 where they received a basic introduction to the role of a Pensions Board and the requirements of the Board members. The Members of the Board felt that the training had been sufficient to meet their current needs.

The Chair enquired about the future training needs of the Members of the Board and it was agreed that the Adviser would provide each Member of the Board with a one page guide on each pension scheme identifying the differences between the Schemes. The Adviser would also provide an overview of each Scheme at the next meeting of the Pension Board under the Governance item.

It was felt that the Codes of Practice provided a useful introduction and the LGA Training Needs Analysis to be considered at a future meeting.

A budget code would be arranged in order to capture the details of expenses incurred at the training event in London.

The Pensions Board agreed to consider:

- Governance – sub Points (Auditors Report)
- Feedback from Audit Committee
- Update on Regulations/Code of Practice
- Training
- Expenses
- Annual Effectiveness Assessment
- Measure of effectiveness
- Individual assessment
- Feedback from Audit Committee
- Member sampling

## Statistics

Further consideration would be given to an invitation being forwarded to Clair Alcock, the Firefighters' Pensions Adviser from the Local Government Association and Ian Pollitt from KPMG to attend a future Pensions Board meeting.

### 4. Pension Section Supporting Information

- 4.1 The Adviser ran through the statistics as 31<sup>st</sup> May and it was noted that the numbers would change as Members move to the 2015 Scheme. During the transition period 2012 - 2022, it was expected that more people would leave the scheme during this the tapering period.

The Adviser explained the details of the Retained Firefighters Modified Pension Scheme and confirmed that the Compensation Regulations were designed to cover individuals 1992 or 2006 who had no other cover.

### 4.2 Annual Activity Levels

The Board requested the Adviser to provide further clarification on the reasons for the number of Opt Out.

It was noted that prior to the Hutton Review, Opt Outs averaged at one or two, but post the Review Opt Outs had risen to 20. Opt Outs also increased following contribution rate rises.

Members were now required to Opt Out using an electronic system and were also required to provide a reason for Opting Out of the Scheme.

For the next Board Meeting in February 2016, the Adviser agreed to provide an overview of Opt Out figures together with analysis on a month by month, scheme by scheme basis together with reasons.

Further details would also be provided at the next meeting on the number of enquiries being received and the response times by the Pensions Team.

The Board felt it would be useful to receive information on the number of Serving Members who were in the Scheme

and to provide information about Opting Back into the Scheme.

#### 4.3 Pension Section Structure

The Adviser gave an overview of the Pensions Team as it stands at the moment and explained that as the pension landscape has changed, the amount of time it takes to calculate and check pensions is taking longer. The team are receiving more requests for information and the Adviser was investigating the possibility of retaining the additional temporary post on a permanent basis.

For next meeting the Chair requested a report on the team structure and a comparison with other Fire and Rescue Authorities together with productivity statistics and the costs per Member.

4.4 A Corporate Risk Register report at Appendix 1 was noted and the Board requested that the report to be submitted to the February meeting of the Board should include risk scoring.

4.5 The Internal Audit Review of Pensions was due shortly and the Auditor would be requested to present his report to the Pensions Board in February 2016 as a sub Agenda item on Governance.

4.6 The Annual Benefit Statements would be issued to all fully protected members of the 1992 and 2006 Members in September 2015. Following installation of new software all members will be issued with their Annual Benefits Statements by March 2016.

It was felt appropriate that the issuing of Annual Benefits Statements should be added to the Risk Register and the Adviser informed the Board that the self-service option had been explored but the costs at the time were not justifiable.

#### 4.7 Internal Dispute Resolution Procure (IDRP)

The Board noted that two stage one applications had been made in the last twelve months and one case was still progressing. There was not any emerging themes and trends and the Adviser stated that out of the five IDRPs

received in the last six years, only one was found.

#### 4.8 Abolition of Contracting Out for Defined Benefit Pension Schemes

The Adviser confirmed that Registration had taken place centrally with Her Majesty's Revenue and Customs and the Regular.

The Pensions Team had received 2,397 queries on the 1992 scheme and 22 on the 2006 scheme. The queries were complex and the team were looking to clear the number of queries by 31 March 2016.

The Adviser also confirmed that he would communicate the changes to National Insurance contributions in respect of Pensions to the Members of the Scheme.

#### 4.9 The Adviser would ask the Scheme Manager to make a decision on two issues regarding Automatic Enrolment. The decisions required are:

- What date should Automatic Re-Enrolment take place? The Adviser recommends 1<sup>st</sup> August 2016 but the Scheme Manager has discretion to amend this date to any other date between 1<sup>st</sup> May and 31<sup>st</sup> October 2016.
- The Scheme Manager has discretion not to Automatically Re-Enrol any Eligible Job Holder who has opted out of a Qualifying Pension Scheme within a period of 12 months prior to the Automatic Re-Enrolment date. The Adviser recommends that the Scheme Manager uses this discretion.

In response to a question about record keeping the Adviser confirmed that as both the Pensions and Payrolls teams work together at West Midlands Fire Service the matching process was working well and it was felt that the forthcoming Audit of the Section would provide assurance of this. It was noted that the Treasurer would ask the Auditor if the records are kept correctly and dip testing would be part of the process.

5. Communications

A discussion took place on the key messages that had been available during the last six months and what was planned for the future. It was felt that documents should be available to Members on a platform but not necessarily on the Intranet.

The Adviser felt that a small intranet site would be useful, but all information was circulated via email and the best form of communication was face to face as each case is individual.

The Board discussed the possibility of options for communications and sharing of information.

It was felt important the Members should receive the full facts about opting out and what it means to individuals and the Adviser agreed to send out additional communications if the number of people opting out increases and becomes a problem.

Local performance Indicators would be published and available to all. It was felt that the Scheme Manager should inform the representatives regarding the communications to members of the scheme.

The Adviser stated that he communicated with Internal Members and Pensioners via their e-mail addresses. Information was also provided via the Retired and Serving Firefighters' and the National Association of Retired Firefighters' email addresses.

The Board felt that members should be referred to the Terms of Reference and Minutes of the Pensions Board would provide further information following their approval by the Audit Committee on the 7<sup>th</sup> September 2015.

The Adviser confirmed that he would send an email to all the members of the Scheme confirming that a Pensions Board had been held and where they would be able to find the minutes and the date and time of the next meeting.



7. Any Other Business

There was no other business.

8 Date and Time of next meeting  
1400 hours on 8 February 2016  
1400 hours on 18 July 2016

(The meeting ended at 1650 hours)

<p><b>Contact Officer: Julie Connor</b> <b>Strategic Hub</b> <b>West Midlands Fire Service</b> <b>0121 380 6906</b></p>
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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****PENSIONS BOARD****21 JULY 2015****ACTIONS**

Action No.	Action
1.	The final version of the Terms of Reference to be attached to the minutes as an Appendix and forwarded to the Scheme Manager for final approval.
2.	The Adviser would provide each Member of the Board with a one page guide on each pension scheme identifying the differences between the Schemes.
3.	The Adviser would also provide an overview of each Scheme at the next meeting of the Pension Board under the Governance item.
4.	A budget code would be arranged in order to capture the details of expenses incurred at the training event in London.
5.	Further consideration would be given to an invitation being forwarded to Clair Alcock, the Firefighters' Pensions Adviser from the Local Government Association and Ian Pollitt from KPMG to attend a future Pensions Board meeting.
6.	For the next Board Meeting in February 2016, the Adviser agreed to provide an overview of Opt Out figures together with analysis on a month by month, scheme by scheme basis together with reasons.
7.	Further details would also be provided at the next meeting on the number of enquiries being received and the response times by the Pensions Team.
8.	For next meeting the Chair requested a report on the team structure and a comparison with other Fire and Rescue Authorities together with productivity statistics and the

	costs per Member.
9.	The Internal Audit Review of Pensions was due shortly and the Auditor would be requested to present his report to the Pensions Board in February 2016 as a sub Agenda item on Governance.
10.	It was felt appropriate that the issuing of Annual Benefits Statements should be added to the Risk Register.
11.	The Adviser confirmed that he would send an email to all the members of the Scheme confirming that a Pensions Board had been held and where they would be able to find the minutes and the date and time of the next meeting.