

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

16 FEBRUARY 2015

1. PENSIONS BOARD – FIREFIGHTER PENSION SCHEMES

Report of the Chief Fire Officer

Recommended

- 1.1 THAT the Authority notes that it is required under new regulations to set up a Pension Board with the responsibility for “assisting the Scheme Manager”, in securing compliance with all relevant pensions law, regulations and directions.
- 1.2 THAT the Authority as the Scheme Manager, agree for the Audit Committee to have delegated responsibility for managing and administering the scheme.
- 1.3 THAT the Authority agrees for the Service to appoint 2 Employer representatives and 2 Scheme member representatives (employees).
- 1.4 THAT the Authority agrees for the Service to determine if an Independent Chair should be appointed.

2. PURPOSE OF REPORT

- 2.1 This report is to inform members of the requirement under the Public Services Pensions Act 2013 for public sector pension schemes to establish a Pension Board for, in this instance, the Firefighter Pension Schemes (FPS). The regulations detailing the FPS have yet to be issued and this report is based on advice from a Public Sector Actuary organisation.
- 2.2 This report also provides background to gain an understanding of these new requirements under the Public Service Pensions Act 2013.

3. **BACKGROUND**

- 3.1 The Independent Public Service Pensions Commission known as the Hutton Review reported on 10th 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, 25th April 2013, enacted this effective date being 1st April 2015.
- 3.2 The Pension Board is a new requirement under the Act, which has also specified that there should be equal numbers of member and employer representatives – currently proposed as 4.
- 3.3 The Pensions Board will cover arrangements for West Midlands Fire Service relating to the Firefighters Pension Schemes.
- 3.4 The Service administrator will provide the necessary input into the Pension Board to support the Board to deliver on its assurance responsibilities. This will require their attendance at meetings for specified timeslots at the request of the Board.
- 3.5 The Act had 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.
 - Extending the pensions regulator role.
- 3.6 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 Services the Scheme Manager will be the relevant Fire Authority. This responsibility can be delegated to a committee of the Authority.

3.7 On reviewing the Terms of Reference for the Authority Committees, it is evidenced that the most appropriate Committees for this responsibility could be:

- Audit Committee
- Appeals Committee and
- Scrutiny Committee

3.7.1 Audit Committee

The Audit Committee is responsible for providing assurance of the Authorities governance risk management and internal control arrangements.

It would consider reports dealing with management and performance of Audit Services and therefore possess the knowledge and experience for undertaking the right activity for the Authority in the role as the Scheme Manager.

This Committee also maintains an overview of the control procedure rules and financial regulations.

3.7.2 Appeals Committee

The Appeals Committee already has some knowledge and understanding of the Firefighters Pensions Scheme. This Committee already hears appeals under the Firefighters Pension Scheme, New Firefighters Pensions Scheme and the Firefighters Compensation Scheme. However due to the nature of the Appeals Committee it would not be considered best practice for them to be hearing appeals relating to previous decisions made by the Scheme Manager.

3.7.3 Scrutiny Committee

The role of Scrutiny Committee is to scrutinise performance information and to monitor and scrutinise the Human Resources Policies and also to receive statistical information. However as this Committee could be requested to scrutinise specific areas of the approach that the Scheme Manager or the Pensions Board has taken, it is suggested that this Committee does not act as the Scheme Manager.

3.8 The Firefighters Pensions Scheme (FPS) Regulations have been received and are available for review at <https://www.gov.uk/government/consultations/consultation-on-the-regulations-to-introduce-a-new-firefighters-pension-scheme-from-april-2015>

4. **THE ROLE AND COMPOSITION OF THE PENSION BOARD**

4.1 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.

4.2 In this role the 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".

4.3 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 and they must have knowledge and understanding of the law relating to pensions and such other matter as may be prescribed.

4.4 The role of the Board is one of oversight not decision making and it will not replace existing committees. It is likely that the Scheme Manager i.e. the Fire Authority will delegate decision making to the relevant committee and then the role of the Pension Board will sit alongside in the role of securing compliance.

- 4.5. The draft regulations state that the Department for Communities and Local Government expect there to be 1 Pension Board per Scheme Manager i.e. Authority. However, as part of our consultation response we stated that we would prefer to be able to share Pension Boards with our neighbouring Authorities in an effort to reduce costs and also introduce some standardisation of approach.

5. **PENSION BOARD ACTION TO BE TAKEN**

- 5.1 The Pensions Board needs to be in place by 1st April 2015. Composition and terms of reference and role descriptions will need to be defined and will be confirmed at the first meeting of the Pension Board, and then approved by the Scheme Manager.
- 5.2 The appointment of the Board will need to follow a fair, transparent and proportionate process. Individuals appointed will need to demonstrate commitment to the role and capacity to develop an understanding of the issues/matters/policy around the FPS.
- 5.3 The expectations are to make appointments in early 2015 to ensure establishments of the Pension Board by 1st April 2015. Following this date training will be provided to each member in order for them to carry out their duties.

6. **EQUALITY IMPACT ASSESSMENT**

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

7. **LEGAL IMPLICATIONS**

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

8. **FINANCIAL IMPLICATIONS**

Any costs associated with the new Pension Board would be met from within the Authority's overall existing resources.

9. **BACKGROUND PAPERS**

Public Service Pension Act 2013.
Fire Pensions Regulations

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