

WILTSHIRE & SWINDON FIRE AUTHORITY

REPORT REFERENCE NO.	15
MEETING	Combined Fire Authority
MEETING DATE	12 th February 2015
SUBJECT OF REPORT	Pension Boards – Firefighters’ Pension Scheme
LEAD OFFICER	Brigade Manager, People & Development
RECOMMENDATIONS	<p>The Combined Fire Authority, pending the outcome of the request to defer the setting up of Pension Boards for Wiltshire and Dorset, is asked to:</p> <ol style="list-style-type: none"> a. DECIDE upon the preferred composition and size of the Pension Board – employee and employer numbers must be equal, and the minimum size of pension boards is 4; b. REQUEST that officers set up a budget for the Pension Board, based on cost recovery for members of the Board, and a provision for specialist advice; c. AGREE that the appointments to the Local Pension Board are for an initial period of 12 months by which time clarity should have been received with regard to items such as Member appointments to the Boards, as such appointments are currently considered to be conflicted out, and Members may need to take into account their potential increased workload that is associated with the intended Combination; d. AGREE that the initial appointments for the Employer side of the Local Pension Boards include the Brigade Manager Governance & Assurance, and the Clerk to the Authority – further appointments can be made as long as the employer and employee numbers remain equal; e. DECIDE whether the Chair of the Local Pension Board should be:

	<ul style="list-style-type: none"> i. An Independent Chair, which will need to be externally advertised; ii. A Chair appointed from and chosen by the members of the Board; or iii. A Chair appointed by the Fire Authority as Scheme Manager <p>f. ASK the Brigade Manager People & Development to establish a Local Pension Board for the Firefighters' Pension Scheme on behalf of the Fire Authority/Scheme Manager;</p> <p>g. RECOMMEND that, due to the short timescales, the Brigade Manager People & Development does not follow the example appointment process in Appendix B for member representatives, but advertises internally for expressions of interest from members of the Firefighters' Pension Schemes to act as employee members of the Pension Board;</p> <p>h. REQUEST officers to present a Discretions Policy for the 2015 Scheme to the Staffing Committee in March for approval at the Fire Authority meeting in June 2015;</p> <p>i. AGREE that until the Discretions Policy is approved by the Fire Authority in June the current discretions will continue to be applied i.e. for the period from April 2015;</p> <p>j. DELEGATE authority to the Staffing Committee to consider reports arising from the publication of the DCLG response to the consultation replies or any further guidance/clarification and subsequently to authorise officers to action any urgent items; and</p> <p>k. ASK officers to work with colleagues in Dorset Fire & Rescue Service to work towards forming a Pension Board for the new Combined Authority</p>
<p>EXECUTIVE SUMMARY</p>	<p>This report outlines the Government proposals with regard to setting up Local Pension Boards for the Firefighters' Pension Scheme, and preparatory action for the Authority to consider.</p>
<p>APPENDICES</p>	<p>Appendix A: Response to DCLG consultation on new governance arrangements Appendix B: Draft Terms of Reference for Local Pension</p>

Introduction

- 1 In order to comply with the proposals within the recent Government consultation to require the formation of Local Pension Boards for the Firefighters' Pension Scheme by April 2015 there needs to be local consideration of some preparatory action. The Government has yet to publish their decisions on the consultation responses, but the timescales for implementation of any final recommendations are likely to be short in order to meet the deadline of April 1st 2015.
- 2 The Local Pension Boards must be set up by 1st April 2015, and need to become operational within 4 months of that date i.e. the first meeting should be no later than July 2015.
- 3 As part of the Wiltshire response to the consultation a request was made to defer the setting up of Local Pension Boards for Wiltshire & Swindon and Dorset Fire Authorities until after combination, and if this request is granted then it is expected that no further action regarding the recommendations in this report needs to be taken prior to April 1st 2015.

Background

- 4 The Government commissioned Lord Hutton to chair the Independent Public Service Pensions Commission to review public pensions, and as part of this review he recommended 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. The recommendations by Lord Hutton were accepted by the Government and were carried forward into the Public Service Pensions Act 2013.
- 5 The Act requires scheme regulations to provide for the establishment of a Pension Board to assist the scheme manager:
 - a. Secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme, and any connected scheme;
 - b. Secure compliance with any requirements imposed by the Pensions Regulator; and
 - c. In relation to any other matter specified in scheme regulations
- 6 In response to this Act the Department for Communities and Local Government issued a consultation document entitled 'Firefighters' Pension Scheme 2015: Proposals for new governance arrangements' in October 2014. This consultation was for a 6 week period and ended on 21 November 2014.
- 7 The consultation indicated that the draft regulations set out that two new bodies will be set up which will be made up of employer and scheme member representatives. The first new body is a national Scheme Advisory Board, and its' primary role is to provide the Secretary of State for the Department of Communities and Local Government with advice on desirable changes to the Scheme's regulations, when requested. Secondly, the draft regulations set out that Local Pension Boards should be formed by each fire & rescue authority on 1 April 2015. These local boards could be assisted by the national Scheme Advisory Board, and are in place to assist the

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local scheme manager in the efficient and effective administration of the pension scheme.

- 8 The scheme manager must be satisfied that the Pension Board members do not have a conflict of interest and that the Board must have equal numbers of employer and member representatives and must consist of at least four members.
- 9 The draft regulations for the 2015 scheme made provision for the definition of 'scheme manager' as the fire and rescue authority. The scheme manager is responsible for the administration of the scheme. The consultation indicates that there is anecdotal information that, in practice, the decisions concerning the administration of the scheme are delegated to an officer of the authority and that officer exercises its discretion within that delegated authority.
- 10 The consultation indicates that the Firefighters' Pension Scheme (FPS) consumes a large proportion of the budgets of fire and rescue authorities, and that the Government's view is that there should be greater scrutiny of decisions made by authorities, particularly where these are made by individual officers, to provide more assurance to taxpayers and to scheme members.
- 11 The Local Pension Board will be required to assist the scheme manager to comply with the regulations governing the Firefighters; Pension and Compensation Schemes and any requirements imposed by the Pensions Regulator. This is potentially a wide ranging role, and allows for the Board to look at the systems underpinning the administration of the scheme, or how decisions are made. The Local Pension Board is not, however, a decision making body as far as statutory decisions are concerned.
- 12 The consultation did indicate that, in future, there could be scope for scheme managers to share a Pension Board where the function of a scheme manager is wholly or mainly shared with another scheme manager. The regulations give discretion to the scheme manager to determine the procedures applying to its Board, including the voting rights and the establishment of sub-committees.
- 13 It is suggested in the consultation that it will be for the scheme manager to determine the membership of the Pension Board, including how the members are appointed and removed from the Board. The scheme manager must be satisfied that the Pension Board members have the capacity and understanding to represent the employer or scheme members, as appropriate. The scheme manager must also be satisfied that there is no conflict of interest, both before appointment and subsequently from time to time. An individual who is, or is to be appointed must provide the scheme manager with any information which it reasonably requires to satisfy itself as to whether there is conflict.
- 14 Employee representatives are appointed for the purpose of representing members of the Firefighters' Pension Scheme, and may be, but are not limited to trade union representatives. Former firefighters, (which could include pensioner members if they are no longer employed as a firefighter), cannot be an employee representative.
- 15 Employer representatives are appointed for the purpose of representing employers. These may be, but are not limited to councillors and/or officers of the authority. However, an officer or member of the authority which is responsible for making decisions on the pension scheme is not permitted to be a member of the board as the board may be scrutinising the decisions of that officer or member. This will mean that it is unlikely that any Member of the Fire Authority will be able to form part of the Pension Board. Clarification is being sought as to whether it would be permissible to appoint a Member to the Pension Board if it was understood that they would then not

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be able to be a member of the Staffing Committee or to vote on FPS discretions or any other FPS related matter at Fire Authority meetings.

- 16 It is for the scheme manager to determine whether any expenses should be paid in relation to the running of the Local Pension Board. The DCLG view is that costs should be on an exceptions basis and only to recover costs. It is possible, in the view of the DCLG, that the Pension Board will look to obtain specialist professional advice, such as actuarial advice, and the scheme manager may wish to provide an annual budget to the Board for such instances.

Consultation response

- 17 The Service responded to the consultation – attached as Appendix A – in line with a number of other Services, indicating that regional or joint pension boards would be preferred, rather than a stand alone pension board for each authority.
- 18 As yet, no response has been issued from DCLG to the consultation replies, although a meeting has been scheduled for 3rd February for members of the Fire Finance Network, HR representatives and Pension Scheme Administrators, when Pension Boards will be one of the items to be discussed.

LGA information

- 19 On 28th January 2015 a webinar was held by the Local Government Association (LGA) in order to provide further information to fire services, prior to the publication of the DCLG response to the consultation exercise. This provided clarification that:
- a. It is unlikely that joint or regional boards will be approved prior to April 2015, although there was no clarification on the specific request in relation to Wiltshire and Dorset;
 - b. It appears that Elected Members, being part of the fire authority and therefore acting as Scheme Manager will not be eligible to act as Employer Members;
 - c. Scheme Managers may choose to ask Councillors from other Fire Authorities or other local authorities to join their Local Pension Board – such Councillors would not have voting rights on topics discussed within Board meetings;
 - d. Scheme Managers may choose to have an Independent Chair for the Local Pension Board – this would need to be externally advertised and the person appointed would have no voting rights at Board meetings. Alternatively the Scheme Manager can appoint a Chair from the Board Members, or can allow the Board to elect its own Chair;
 - e. There will be a right of escalation if the Scheme Manager does not adopt the recommendations of the Board;
 - f. Draft terms of reference have been produced centrally, which are subject to change and the current draft terms are attached as Appendix B
 - g. Regional training days will be held in June – location and dates as yet unconfirmed.
- 20 A seminar was held on 3rd February 2015, at which time it was confirmed that:
- a. The level of employer contributions to the 2015 Scheme is still not finalised
 - b. There are 36 employer discretions within the Scheme – further information will be provided to authorities regarding this;
 - c. Final decisions by Ministers on the Pension Board regulations have not yet been made;
 - d. E-learning modules regarding the roles of Pension Board members are available on the Pensions Regulator website

- e. An Administration Guide, presentation for scheme members, presentation for payroll, draft letters for scheme members and retirement decision trees are due to be issued within a week

Policy Implications

- 21 Terms of reference for the Pension Board will need to be formalised in due course, and a Discretions Policy for the 2015 Firefighters Pension Scheme produced.

Risks

- 22 The FBU are currently in dispute regarding the introduction of the 2015 scheme and may refuse to participate in the Local Pension Board. It is also possible that employees may consider that the knowledge and understanding requirements in order to participate on the Board are too onerous and therefore no or insufficient nominations/volunteers are received.

HR, Equality and Diversity Implications

- 23 Consideration has been given to the impact upon differing groups and a full assessment is not required.

Environmental Implications

- 24 There are no new implications arising from this statement.

Financial and Legal Implications

- 25 A budget will need to be allocated to the Pensions Board for costs incurred by members and also a provision for specialist advice. The Fire Authority, as Scheme Manager, may decide if the Board can authorise expenditure, or whether that needs to be authorised by the Scheme Manager.

Combination Implications

- 26 A request was made in the Wiltshire response that, in light of the merger, the decision to set up Local Pension Boards for Wiltshire & Swindon Fire Authority & Dorset Fire Authority be postponed for 12 months, until the establishment of the new combined authority. No confirmation of whether this has been granted has yet been issued, but this is being pursued with DCLG officials. If this is not granted an alternative option will be pursued, which is to form a Joint Board now, rather than to set up two separate Boards for a year.

Recommendations

- 27 The Combined Fire Authority, pending the outcome of the request to defer the setting up of Pension Boards for Wiltshire and Dorset, is asked to:
 - a. **DECIDE** upon the preferred composition and size of the Pension Board – employee and employer numbers must be equal, and the minimum size of pension boards is 4;
 - b. **REQUEST** that officers set up a budget for the Pension Board, based on cost recovery for members of the Board, and a provision for specialist advice;

- c. **AGREE** that the appointments to the Local Pension Board are for an initial period of 12 months by which time clarity should have been received with regard to items such as Member appointments to the Boards, as such appointments are currently considered to be conflicted out, and Members may need to take into account their potential increased workload that is associated with the intended Combination;
- d. **AGREE** that the initial appointments for the Employer side of the Local Pension Boards include the Brigade Manager Governance & Assurance, and the Clerk to the Authority – further appointments can be made as long as the employer and employee numbers remain equal;
- e. **DECIDE** whether the Chair of the Local Pension Board should be:
 - i. An Independent Chair, which will need to be externally advertised;
 - ii. A Chair appointed from and chosen by the members of the Board; or
 - iii. A Chair appointed by the Fire Authority as Scheme Manager
- f. **ASK** the Brigade Manager People & Development to establish a Local Pension Board for the Firefighters' Pension Scheme on behalf of the Fire Authority/Scheme Manager;
- g. **RECOMMEND** that, due to the short timescales, the Brigade Manager People & Development does not follow the example appointment process in Appendix B for member representatives, but advertises internally for expressions of interest from members of the Firefighters' Pension Schemes to act as employee members of the Pension Board;
- h. **REQUEST** officers to present a Discretions Policy for the 2015 Scheme to the Staffing Committee in March for approval at the Fire Authority meeting in June 2015;
- i. **AGREE** that until the Discretions Policy is approved by the Fire Authority in June the current discretions will continue to be applied i.e. for the period from April 2015;
- j. **DELEGATE** authority to the Staffing Committee to consider reports arising from the publication of the DCLG response to the consultation replies or any further guidance/clarification and subsequently to authorise officers to action any urgent items; and
- k. **ASK** officers to work with colleagues in Dorset Fire & Rescue Service to work towards forming a Pension Board for the new Combined Authority

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Unpublished documents used in the preparation of this report:

None

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