

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 29 March 2017

PENSION BOARD – FIREFIGHTERS’ PENSION SCHEMES

Contact for further information:

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Executive Summary

As part of the Pension reforms emanating from Lord Hutton’s review, Lancashire Combined Fire Authority (LCFA) established a local Pension Board in February 2015 to assist the Scheme Manager (LCFA delegated to the Director of People & Development) in securing compliance with the Firefighters’ Pension Scheme regulations and associated legislation and guidance.

The Pension Board comprised two officers to represent the employer and two Union officials to represent the Pension members.

It was anticipated that membership would be reviewed once the extent of the Pensions Board activities became clear.

The report outlines that the National Scheme Advisory Board has not itself become fully established and that any revision or review of membership would not be fully informed.

It is proposed that the current arrangements continue until a meaningful workload is determined.

Recommendation

Whilst the role of the Pension Board is slowly evolving, the LCFA are asked to endorse continuation of the current arrangements with the situation being considered further after another year’s operation.

Information

The Public Services Pension Act 2013 (the Act) enshrined many of the reforms of public service pension schemes that were recommended following the independent review of public service pension schemes led by Lord Hutton.

The Act contained a section concerned with governance of public sector pension schemes. It included a requirement for pension regulations to be amended to include reference to a Responsible Authority, Scheme Manager, Pension Board and a Scheme Advisory Board as set out below:-

- A “responsible authority” who makes the regulations for the scheme – this will be the Department for Communities and Local Government;

- A “scheme manager” to be responsible for managing the administering the scheme – this will be the Fire and Rescue Authority;
- The establishment of a new local “pension board” to assist the scheme manager;
- The establishment of a new national “scheme advisory board” to provide advice to the Department for Communities and Local Government in relation to changes to the scheme and to provide advice to the scheme manager(s) and pension board(s).

Scheme Manager

For the Firefighters’ Pension Scheme, the Fire and Rescue Authority is the Scheme Manager and is responsible for the management and administration of the firefighter’s pension schemes. Regulation 5 of the Pension Regulations provides that the Scheme Manager can delegate responsibility to an individual, and the Combined Fire Authority delegated this activity to the Director of People and Development.

As part of managing and administering its fund within the Firefighters’ Pension Scheme, each Fire and Rescue Authority will be required to :-

- Provide annual benefit information statements to each scheme member;
- Publish scheme information;
- Maintain scheme records;
- Report the late payment of contributions to the Pensions Regulator;
- Establish and maintain internal controls to ensure the scheme is managed in accordance with the rules and legislative requirements.

Pension Board

Regulation 4A to 4D of the Pension Regulations required each Scheme Manager to establish and run a local Pension Board to help it to comply with its legal obligations relating to the firefighters’ pension schemes.

Regulation 4A of the Pension Regulations establishing the Pension Board is set out in full below:

1) Each Scheme Manager must establish a Pension Board (“a local Pension Board”) responsible for assisting it:-

a) To secure compliance with:-

(i) These Regulations

(ii) Any other legislation relating to the governance and administration of this scheme and any connected scheme, and

(iii) Any requirements imposed by the Pensions Regulator in relation to this scheme and any connected scheme; and

b) To ensure the effective and efficient governance and administration of this scheme and any connected scheme.

2) A Scheme Manager may determine the procedures applicable to a local Pension Board, including as to voting rights, the establishment of sub-committees, formation of joint committees and payment of expenses.

3) A local Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The Pension Board is a formal minuted meeting. The work of the Pension Board is to be publicised for the benefit of Pension Scheme members to demonstrate that the Pension Scheme is being run effectively and efficiently.

Regulation 4B of the Pension Regulations is concerned with membership of the Pension Board and is set out in full below:

1) Subject to paragraphs (2) and (3) each Scheme Manager shall determine:-

- a) The membership of the local Pension Board;*
- b) The manner in which members of the local Pension Board may be appointed and removed;*
- c) The terms of appointment of members of the local Pension Board.*

2) A local Pension Board must include an equal number, which is no less than 4 in total, of employer representatives and member representatives(a) and for these purposes the Scheme Manager must be satisfied that:-

- a) A person to be appointment as an employer representative has the capacity and understanding to represent employers on the local Pension Board; and*
- b) A person to be appointed as a member representative is in scheme employment and has the capacity and understanding to represent members on the local Pension Board.*

3) No member or officer of an authority responsible for the discharge of any function under these regulations (apart from any function relating to a local Pension Board or the Firefighters' Pension Scheme Advisory Board) may be a member of a local Pension Board.

On establishment the Authority determined, due to the lack of clarity about the true extent of its role and impact, to create a small Pension Board at the outset comprised of:

- two Officers to represent the employers, and
- two Officers from the Fire Brigade Union to represent the employees

Members of the Pension Board must have the capacity and understanding to respectively represent the employer or pension members. They must be conversant with the rules of the schemes and documented administration policies. They must also have knowledge of the law relating to pensions. The intention is that Pension Board members must have the breadth and understanding to enable them to understand fully and challenge any information or advice they are given. This task should not be underestimated. Pension law is complex and regularly changes. Training and development of Pension Board members is essential and compulsory.

Pension Board members cannot be responsible for discharging any functions under the Pension Regulations.

Given the necessary investment in the training and development of Pension Board members, appointments to the Pension Board were not time limited, and should be able to serve long enough to develop the relevant knowledge and understanding.

The Pension Regulations provides that the Scheme Manager (the Fire Authority) must have regard to guidance issued by the Secretary of State in relation to Pension Boards.

When established, given the uncertainty that surrounds the role and responsibilities of the Pensions Board, it was suggested that the Board be set up initially and that membership requirements would be reviewed as part of the work programme.

Officers work with other authorities as far as possible, e.g. joint training where feasible and the Director of People & Development (as adviser to the Board and in line with the responsibilities delegated by the Combined Fire Authority) attends the North West Regional Pensions Officers administration meetings.

Since establishment, the Pensions Board has met on five occasions and has addressed relevant issues such as conflicts of interest, terms of reference, "Your Pension" administration, monitored issues arising such as the internal disputes resolution procedure, Pensions Ombudsman issues and membership levels and built up Board Members knowledge and understanding of Pension Schemes and considered communication issues.

Unlike other Pension Boards, as the firefighters' pension schemes are unfunded, no issues in respect of investments or use of funds arise.

Similarly the Local Pensions Board interacts with the National Scheme Advisory Board, which unfortunately has only recently been formally established and they are currently agreeing their terms of reference, so to date the exchange of information with the National level has not occurred in a meaningful manner.

It is envisaged the National Scheme Advisory Board's work plan will involve:

- supporting and advising Local Pension Board;
- a communications lead;
- ensuring cost effectiveness of Scheme administration;
- advice on 'Best Practice';
- looking at Benchmarking.

When the LCFA Pension Board was established at minimum numbers, due to the uncertainties in respect of role and activities, it was with an understanding that once the role and responsibilities became clear then the Board membership would be reviewed.

The current level of activity is such that until the interaction with the National Scheme Advisory Board is established the appropriate long term membership cannot be defined. It is therefore proposed to continue the current arrangements until greater clarity can be determined.

Financial Implications

There are costs associated with establishing and running a Pension Board. However, these are contained within existing budgets.

Business Risk Implications

The Fire Authority must have a Pension Board to fulfil the requirements to be contained in the Pension Regulations.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
Various guidance documents	January/February 2015	Bob Warren
Reason for inclusion in Part II, if appropriate:		