

Pension Board for Firefighter Pension Schemes

Report of the Chief Fire Officer

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1 Purpose of Report

This report informs 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.

2 Recommendations

The Committee is asked to note this report.

3 Background

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, 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 2013 was enacted in April 2013 to give effect to such arrangements from 1 April 2015.

4 The Public Service Pensions Act 2013

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.

A key objective of the 2013 Act is to ensure a fair balance of risks between Scheme members and the taxpayer. To achieve this the Scheme is required to publish an employer cost cap to protect Scheme employers and, therefore, taxpayers from unexpected increases in the cost of the Scheme and to ensure it remains sustainable and affordable.

In addition to the Act the Government intends to bring in new regulations relating to firefighter pensions and has issued ***The Firefighter Pensions Scheme 2015 Proposal for new governance arrangements*** for consultation. The closing date for the consultation is 21 November 2014.

It is intended that to increase accountability two new bodies will be established: the first will be the National Scheme Advisory Board. The primary role of this Board 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.

Secondly, the draft regulations set out that local Pension Boards should be formed by each fire and rescue authority. These Boards may be advised by the National Scheme Advisory Board and are there to assist the Scheme Manager in the efficient and effective administration of the Pension Scheme.

5 Proposed Role and Composition of the Pension Board

The DCLG's approach is to provide a broad regulatory framework, within which fire and rescue authorities could set up their board locally, while meeting the core objectives of Government policy, as set out in the Act.

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.

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 would not, however, be a decision-making body.

The consultation document states that the DCLG expects that there would be one local Pension Board per Scheme Manager but that there may be scope in the future for Scheme Managers to share a Board, e.g. a Regional Fire and Rescue Service Board. In the consultation responses it is likely that the West Midlands region will be expressing an interest in a shared Board.

Board members must not have a conflict of interest, which is defined in the Act as “financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board”.

It would be for the Scheme Manager to determine membership and how members are appointed and removed from the Board. The Board must, however, have an equal number of Scheme member and employer representatives and must consist of at least four members. Member representatives may be, but are not limited to, trade union representatives, but a member must be in Scheme employment and, therefore, must be a firefighter, who is currently employed by a fire and rescue authority. Employer representatives may be, but are not limited to, councillors or officers of the authority.

Although the Board 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 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 and understanding to represent either the employer or scheme members.

The Scheme Manager would 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.

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

6 Action to be Taken

The Pension Board needs to be in place by April 2015. To ensure that this happens the following actions need to be taken, once the new regulations relating to firefighter pensions have been enacted:

- Establish terms of reference / expenses for the Pension Board;
- Establish membership of the Pension Board;
- Appoint the Pension Board, following a fair and transparent process; and
- Train the Pension Board.

A report relating to these matters will be presented to the Fire Authority for decision at its December meeting.

7 Financial Implications

There are no financial implications arising directly from this report, although there are likely to be costs associated with obtaining specialist advice and reimbursing Board members for expenses. It is likely that these could be met 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

There are no appendices attached to this report.

12 Background Papers

There are no background papers associated with this report.