

FIREFIGHTERS PENSION SCHEME – CREATION OF LOCAL PENSION BOARDS

Report of the Deputy Chief Executive

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1. Purpose of report

- 1.1 The purpose of this report is to invite Full Council to approve the Constitution of the Local Pension Board for the Firefighters Pension Scheme (the FFPS) (to be referred to as the Hertfordshire Fire Pension Board (“the Board”) and the process for appointments to the Board to allow for establishment of the Board.

2. Summary

- 2.1 The Public Sector Pensions Act 2013 (“the Act”) introduces new governance arrangements for the oversight of the FFPS, including the introduction of a Local Pension Board for the purposes of assisting the Administering Authority in line with the following requirements:

To secure compliance with:

- The Regulations;
- Other legislation relating to the governance and administration of the FFPS; and
- The requirements imposed by the Pension Regulator in relation to the FFPS; and
- to ensure the effective and efficient governance and administration of the FFPS.

- 2.2 This report sets out proposals for the establishment of this Board as recommended to Full Council by the Pension Committee which met on Friday, 12 June 2015.

- 2.3 The operation of the Board will be very similar to the Local Pension Board established for the Local Government Pension Scheme (LGPS), which Full Council has approved separately. The remit of the Board will however be narrower than that of the LGPS local pension Board as it will have no remit to review, for example, any fund management, which is all managed centrally for the Firefighters Pension Schemes.

3. Recommendations

- 3.1 The Pension Committee considered a report on this item of business at its meeting on 12 June 2015. The Committee agreed to recommend to Council the establishment of a local pension board the Firefighters Pension Scheme.
- 3.2 Council is recommended to agree the following:-
- a) the creation of a Local Pension Board for the Firefighters Pension Scheme, to be known as the Hertfordshire Fire Pension Board (“the Board”) with the Constitution set out in Appendix A to the report;
 - b) delegate to the Chief Finance Officer (Section 151 Officer)), in consultation with the Executive Member for Resources and Performance and the Executive Member for Community Safety and Waste Management, authority to approve final job descriptions and to approve the appointment process for members of the Board; and
 - c) that the employer representatives on the Board, be nominated and appointed by the Chief Finance Officer (Section 151 Officer).

4. Background

- 4.1 Lord Hutton’s final report on the future of public pensions was issued in 2011 and contained recommendations regarding governance arrangements that included the establishment of a Local Pensions Board, comprising employer and employee members to be responsible for meeting good standards of governance and administration.
- 4.2 The Act sets out four distinct roles to be performed within each public pension scheme, these are:
- 1. The Responsible Authority
 - 2. The Scheme Manager
 - 3. The Pension Board
 - 4. The National Scheme Advisory Board
- 4.3 Under the Act the Responsible Authority is the person who makes regulations for the scheme; in the case of the FFPS, this is the Secretary of State for Communities and Local Government.
- 4.4 The Scheme Manager is to be the person responsible for managing or administering’ the scheme. For the FFPS, the Scheme Manager is the administering authority. Locally this is Hertfordshire County Council and the functions of the administering authority are delegated to the Pensions Committee.
- 4.5 The Pension Board is a Board with responsibility for assisting the Scheme Manager in securing compliance with scheme regulations, other legislation concerning governance and administration, and the requirements of the Pensions Regulator. These Boards will work at a local level and will comprise equal numbers of employing body representatives and scheme member representatives.

5. Formation of the Board and its Role

5.1 The purpose of the Board is to assist the Scheme Manager to secure compliance with:

- The regulations;
- Other legislation relating to the governance and administration of the FFPS;
- The requirements imposed by the Pension Regulator in relation to the FFPS; and
- the effective and efficient governance and administration of the FFPS.

5.2 The Board will have the ability to review actions and decisions made by the Authority, it is not, however a statutory decision making one. Its purpose is to assist the Scheme Manager to ensure compliance and provide governance.

6. Board Composition

6.1 A member of the Board must be conversant with:

- the rules of the FFPS (primarily found in the scheme regulations and documented administration policies) and;
- any document recording policy about the administration of the FFPS which is for the time being adopted in relation to the FFPS.

And a member of the Board must have working knowledge and capacity to understand:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

6.2 The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Board.

6.3 The Regulations require the Board to comprise an equal number of employer and member representatives with a minimum requirement of no less than four in total. The composition of the Board is otherwise left to the discretion of the Scheme Manager, but only employer and member representatives on the Board may be voting members.

6.4 It is recommended that the Board has 2 employee members and 2 employer members, with a quorum of 4, subject to there being equal numbers of employer and member representatives. This allows, where possible for representation from active, deferred and retired members as set out in the regulations (Note this was a change in the final regulations from only active members). Substitution will be allowed by the Chair where the quorum will not be met.

6.5 The employer's representatives must not be anyone who is responsible for making decisions in relation to the FFPS, as this would create a conflict of interest. These members can be either elected Members or Officers and it is

proposed that these be selected and appointed by the Chief Finance Officer (Section 151 Officer).

- 6.6 The Council will need to take responsibility for arranging and funding the costs of any training to upskill members of the Board and a training plan will need to be managed and maintained by the Board
- 6.7 The Board will need to be funded by the County Council, (unlike the LGPS who can fund it from the LGPS Fund). A budget and management of this will need to be agreed. The Board will also require to be allocated a budget for expenditure. An expenses policy will be created for this purpose.

7. Appointment Process

- 7.1 It is, important that the methodology for appointment ensures that a broad range of representatives are appointed. Guidance does not prescribe any particular methodology and leaves it to the Scheme Manager to establish an appropriate process.
- 7.2 It is proposed that the process of appointing member representatives will be by inviting applications. Communication will be issued to active, retired and deferred members, inviting them to put forward an application to sit on the board. Officers will shortlist the applicants and formal interviews will take place before appointments are made to assess the ability of the individual to meet the requirements of the role and make appointment on merit.
- 7.3 Appointment of the Chair of the Board will be made from within the Board members and will rotate between Employer and Member representatives.
- 7.4 Each term of office for the Board will last 4 years.

8 The Local Pension Board Constitution

- 8.1 The proposed constitution is attached as Appendix A to the report. The Constitution of the Board sets out how the Board is established, its objectives, and its terms of reference. It follows the format of the constitution approved for the LGPS local pension board with appropriate changes to reflect the particular circumstances of the FFPS.
- 8.2 In summary, the proposed Constitution of the Board includes the following:
- Name of the Board
 - Role and functions of the Board
 - Membership and terms of office
 - Knowledge and understanding
 - Meetings and proceedings for the Board
 - Voting
 - Appointment of a Chair/Vice-Chair
 - Standards and conflicts of interest
 - Information
 - Expenses and allowances

8.3 The Constitution is required to be agreed by Full Council. It will then be presented to the Board at its first meeting.

9. Financial Implications

9.1 The cost of setting up and operating the Board will be attributable to the County Council and will be funded by Hertfordshire Fire and Rescue who will also manage this budget.

10. Equality Implications

10.1 In determining appointments to the Board, officers will ensure that the application and appointment process does not disadvantage any applicant with protected characteristics.

Background Information

Public Sector Pensions Act 2013

<http://www.legislation.gov.uk/ukpga/2013/25/contents/enacted/data.htm>

Report to and Minutes, Pensions Committee, June 2015