MERSEYSIDE FIRE AND RESCUE AUTHORITY					
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE				
DATE:	26 MARCH 2015	REPORT NO:	CFO/024/15		
PRESENTING OFFICER	DEPUTY CHIEF EXECUTIVE				
RESPONSIBLE OFFICER:	KIERAN TIMMINS	REPORT AUTHOR:	IAN CUMMINS		
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT GROUP				
TITLE OF REPORT:	MFRA LOCAL FIREFIGHTER PENSION BOARD				

APPENDICES:	APPENDIX A:	PENSION BOARD DRAFT TERMS OF
		REFERENCE

### **Purpose of Report**

1. To inform Members about the requirement to establish a Local Pension Board for the Firefighters' Pension Scheme and to set out its proposed structure. In addition the report recommends that the Scheme Manager responsibility be delegated to the Deputy Chief Executive who will then be accountable for the management and administration of the Firefighters' Pension Scheme.

## Recommendation

- 2. That Members:
  - a. Approve the delegation for fulfilling the role of Scheme Manager for the overall management and administration of the Firefighters' Pension Scheme to the Deputy Chief Executive.
  - b. Approve the establishment of a Local Pension Board for the Firefighters' Pension Scheme as outlined in this report, and specifically:-
  - c. Approve that the Board comprise 6 members consisting of 3 employer representatives and 3 employee members.
  - d. Nominate an elected Member from MFRA to act as 1 of the employer representatives.

#### Introduction and Background

3. Lord Hutton identified that there is a case for stronger governance of all the public service pension schemes and that there is a legitimate role for representatives of the workforce to be formally involved. 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, including effective and efficient administration. In the case of the locally administered schemes, he recommended that there should be local pension boards. Lord Hutton also

- found that there should also be a pension policy group for each scheme at national level for considering major changes to scheme rules.
- 4. The recommendations of Lord Hutton were accepted by the Government and were carried forward into the Public Service Pensions Act 2013 ("the Act"). The Act puts in place the legislative framework for the new governance arrangements for public service pension schemes. In relation to the Firefighters' Pension Schemes in England the new governance arrangements (shortly to be ratified in the Firefighters Pension Scheme (Amendment) (Governance) Regulations 2015) will set up a number of new bodies and requirements as summarised below:-
  - A "Responsible Authority" this will be the Secretary of State for Communities and Local Government and will have responsibility to make regulations for the Firefighters' Pension Scheme.
  - A national "Scheme advisory board" with responsibility for advising the responsible authority about possible scheme changes. The board may also advise scheme managers and/or pension boards on improving the administration and management of the scheme.
  - A "Local Pension board" (LPB) with responsibility for assisting the scheme manager in securing compliance with:
    - o scheme regulations
    - o other governance and administration legislation
    - o any requirements of the Pensions Regulator
    - o additional matters, if specified by scheme regulations
  - The Scheme Manager which has overall management or administration responsibility for the Firefighter Scheme(s). The 'scheme manager' is the Fire and Rescue Authority (FRA). The FRA can delegate these responsibilities to such persons or employees as authorised by the scheme manager responsible for the administration of the scheme.
- 5. The Act and Pension Regulations make the FRA the Scheme Manager for the Firefighters' Pension Schemes. As Scheme Manager the FRA will be responsible for the management and administration of the Firefighters' Pension Schemes. The Scheme Manager can delegate responsibility to an individual. It would seem logical to delegate responsibility to the Deputy Chief Executive (DCE) as he now manages the administration and management of pensions. This report seeks members' approval to action this recommendation.
- 6. The Scheme Manager is required to establish and run a Local Pension Board (LPB) to assist the Scheme Manager in the role of 'scheme manager' and help comply with the relevant legal obligations relating to the Firefighters' Pension Schemes. The LPB will assist in ensuring the effective and efficient governance and administration of the scheme. 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. However, the LPB is not a decision making body.
- 7. This report sets out for members the proposals for the Authority to comply with the requirement to establish a LPB by 1<sup>st</sup> April 2015, and for it to become operational within 4 months of that date i.e. the first meeting should be no later than 1<sup>st</sup> July 2015.
- 8. It will be for the Scheme Manager to determine the membership of the LPB, including how the members are appointed and removed from the Board.
- 9. A LPB must have an equal number, which is no less than 4 in total, of employer representatives and member representatives (active firefighters who are currently members of a firefighter pension scheme). They may also have other types of members, such as independent experts. The Scheme Manager must be satisfied that:
  - a. The LPB members have the capacity and understanding to represent the employer or scheme members, as appropriate.
  - b. There is no conflict of interest, 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.
  - c. No member or officer of an Authority responsible for the discharge of any function under the Act or Firefighters' Pension Regulations (apart from any function relating to a LPB) may be a member of a local Pension Board.
- 10. 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.
- 11. 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 any Member on the LPB would not be able to be involved in any committee or committee agenda item involving Firefighters' Pension Scheme discretions or any other related matter.
- 12. It is for the Scheme Manager to determine whether any expenses should be paid in relation to the running of the LPB. 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.
- 13. Given the requirement to have the Pension Board "ready" by 1<sup>st</sup> April 2015 it makes sense to have a small Pension Board at the outset. The proposal is therefore that the Pension Board should have six members and should be comprised from the following:

An elected Member of the Authority Two Officers	y) )	to represent the employer
Two Union Officials from the FBU	)	to represent pension members

- 14. The Terms of Reference for the LPB and governance and administration arrangements are attached to this report as Appendix A. It is expected that the Board will meet twice a year.
- 15. All 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 will be essential and compulsory. The DCE intends to provide specific training for members of the LPB before its planned first "operational" meeting which must be before 1<sup>st</sup> July 2015. In addition the LGA have appointed a Firefighters' Pension expert who intends to run some training events in June 2015 and has created a dedicated website that will contain supporting information and training material.
- 16. The LPB is expected to be a formal minuted meeting. The agenda and minutes of the LPB will be available for the benefit of Pension Scheme members to demonstrate that the Pension Scheme is being run effectively and efficiently.

# **Equality and Diversity Implications**

17. There are no equality and diversity implications contained within this report.

#### Staff Implications

18. There are no staff implications contained within this report.

## **Legal Implications**

 The Authority must have a Local Pension Board to fulfil the requirements in the Public Service Pensions Act 2013 and the 2015 Firefighters' Pension Regulations.

### **Financial Implications & Value for Money**

20. There will be costs associated with establishing, maintaining training and running a Pension Board. Initially a permanent budget of £1,000 will be earmarked towards the running costs of the LPB which can be found from within existing budgets.

# Risk Management, Health & Safety, and Environmental Implications

21. There are no risk management, health and safety or environmental implications contained within this report.

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22. The LPB will provide some level of assurance to Firefighters that the Scheme Manager and the Authority are managing the administration of the Firefighters' Pension Scheme in an efficient and effective way, and in accordance with the relevant regulations.

### **BACKGROUND PAPERS**

23. None

#### **GLOSSARY OF TERMS**

**LPB** Local Pension Board.

**DCE** Deputy Chief Executive

**FBU** Fire Brigade Union

**FOA** Fire Officers Association

**DCLG** Department for Communities and Local Government

**FRA** Fire and Rescue Authority

THE ACT Public Service Pensions Act 2013