

<b>REPORT REFERENCE NO.</b>	RC/14/16
<b>MEETING</b>	RESOURCES COMMITTEE
<b>DATE OF MEETING</b>	20 NOVEMBER 2014
<b>SUBJECT OF REPORT</b>	<b>FIREFIGHTERS' PENSION SCHEME 2015: CONSULTATION ON PROPOSALS FOR NEW GOVERNANCE ARRANGEMENTS</b>
<b>LEAD OFFICER</b>	Director of People and Commercial Services
<b>RECOMMENDATIONS</b>	<i>That the Committee reviews the response at Appendix A of this report and that a final version is submitted to the Department for Communities and Local Government.</i>
<b>EXECUTIVE SUMMARY</b>	<p>DCLG has opened a consultation on the governance arrangements for the Firefighters' Pension Scheme 2015. The intention is to make public sector pension schemes more accountable to its members and the taxpayers.</p> <p>The consultation questions and responses are attached at Appendix A of this report for review by the Committee.</p>
<b>RESOURCE IMPLICATIONS</b>	Dependent upon the number of board members and whether expenses are paid. There would be further Service resources in setting up and supporting a Local Pension Board.
<b>EQUALITY RISK &amp; BENEFITS ASSESSMENT</b>	There is insufficient information at this stage to complete an Equality and Risk Benefits Assessment.
<b>APPENDICES</b>	<p>A. DSFRS Response to consultation</p> <p>B. Firefighters' Pension Scheme 2015 - Proposals For New Governance Arrangements</p> <p>C. The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015</p>
<b>LIST OF BACKGROUND PAPERS</b>	None

## 1. **INTRODUCTION**

1.1 The Department for Communities and Local Government (DCLG) has opened a consultation on the governance arrangements for the Firefighters' Pension Scheme 2015. The intention is to make public sector pension schemes more accountable to its members and the taxpayers. It is suggested that the changes in governance are in accordance with the pension recommendations from Lord Hutton in 2011. This would result in every fire & rescue authority having a Local Pension Board and that additionally there would be a national Scheme Advisory Board. There would also be a capping mechanism to control future costs of the scheme.

1.2 The recommendation from Lord Hutton was as follows:

*“Every public service pension scheme (and individual LGPS Fund) 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. There should also be a pension policy group for each scheme at national level for considering major changes to scheme rules”.*

1.3 There has already been consultation on the Local Government Pension Scheme (LGPS) which has individual scheme funds and investment options. There are also a range of local discretions. This is not the case for the Firefighters Pension Scheme for which there is local administration but the scheme is governed nationally. Pension scheme costings can already be reported through the fire and rescue authorities so, at this stage, it is unclear as to the benefits from having a Local Pension Board.

1.4 The proposal is that the Local Pension Board would comprise of a minimum of four members. Two would be representing pension scheme members which must be current employees (it is unclear why they could not be existing pensioners) and two would be employer representatives and could be counsellors or officers provided they are not responsible for making decisions in relation to the pension scheme.

1.5 The precise role of the Local Pension Board is not clear but it is in a scrutiny capacity and ensures that the Scheme Manager complies with the regulations governing the Firefighters' Pension Scheme and any requirements from the Pension Regulator. Local Pension Board members are required to have the capacity and understanding to represent the pension members or the employer. It is for the Scheme Manager to determine whether any expenses should be paid in the running of the Local Pension Board.

## 2. **THE CONSULTATION**

2.1 The Service has considered the questions put forward by the DCLG and a suggested response is attached for consideration by the Committee.

**JANE SHERLOCK**

Director of People and Commercial Services

### Question 1

#### **Do the draft regulations deliver the policy objective on the introduction of local pension boards and a Scheme Advisory Board as set out in this consultation document?**

The draft regulations do enable the introduction of Local Pension Boards and a Scheme Advisory Board but do not give sufficient information on the reasons for this objective or what the benefits would be to both the taxpayer and pension scheme members. The reason for introducing these boards appears to be based on fulfilling the recommendations from the Lord Hutton Report in 2011. This report included the following recommendation:

*Every public service pension scheme (and individual LGPS Fund) 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. There should also be a pension policy group for each scheme at national level for considering major changes to scheme rules.*

The consultation document and associated amendments to the Firefighters' Pension Scheme interprets this recommendation as requiring each individual fire & rescue authority to have a Local Pension Board since they are assumed to be separate public service pension schemes. The Lord Hutton recommendation is quite specific about the Local Government Pension Schemes (LGPS) which comprise local funds and will have separate investment portfolios. There has been separate consultation around the introduction of such Local Pension Boards for these schemes. However, whilst the Firefighters' Pension Scheme is administered locally there are not separate pension funds and so the administration is on behalf of the national Firefighters' Pension Scheme. In addition, whilst the LGPS has a range of local discretions that can be applied, these same arrangements are not extended to the Firefighters' Pension Scheme. Therefore, it would seem that, in respect of the Firefighters' Pension Scheme, the functions of a Pension Board could only operate at a national level.

If the objective is to ensure greater transparency and scrutiny then this can be achieved through existing mechanisms whereby pension budgets and associated issues can be reported through to the local fire and rescue authority. To introduce a new and additional level of bureaucracy across all individual fire & rescue authorities does not present an efficient and effective means of control and administration of the Firefighters' Pension Scheme.

### Question 2

#### **Do you have any comments on the terms of the local pension boards or Scheme Advisory Board as set out in regulations?**

These are not clear from the consultation document. In the scope of the consultation, it refers to assisting the Scheme Manager in the efficient and effective administration of the pension scheme. In the policy context section the document refers to providing more assurance to taxpayers and to the scheme members. The section also refers to the Local Pension Board assisting the Scheme Manager in the following:

- securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme, and any connected scheme
- securing compliance with any requirements imposed by the Pensions Regulator, and

- in relation to any other matter specified in the scheme regulations

Within the proposal, the Local Pension Board function includes these aspects but also says that the role is wide ranging and allows, for instance, the board to look at the systems underpinning the administration of the scheme or how decisions are taken. However, the proposal also states that the Local Pension Board is not a decision making body.

Within the consultation for Local Pension Boards within the LGPS, there is a provision that where the Scheme Manager is a committee of a local authority, the Local Pension Board may be the same committee if approval in writing has been obtained from the Secretary of State. Something similar could be applied for the Firefighters' Local Pension Boards.

This would cover the Employers' side and for employees there is already a mechanism in place for dealing with concerns or for raising issues. This is by way of the pension Internal Disputes Resolution Panel for which the stage 2 appeal is with fire and rescue authority members.

From a national perspective, the Scheme Advisory Board would duplicate activities undertaken by the existing Firefighters' Pension Committee. Nationally, there has also been recent agreement to appoint a Technical Support Officer to the LGA Pensions Department. This post is being funded on a subscription basis and earlier this year Devon & Somerset Fire and Rescue Authority agreed to financially support this position at a cost of £1 per annum per employee. This provision is similar to the approach used by the LGA for both the Teachers' Pension Scheme and the LGPS.

It would be beneficial if the Scheme Manager role and responsibility could be clearly defined and whether this is the responsibility of the Chief Fire Officer and his delegated officers, the fire and rescue authority, or whether this lies with the Scheme Administrator (which in almost all cases will be a principal local authority).

### **Question 3**

**Are there other powers or requirements that should be put in place for local pension boards or the Scheme Advisory Board?**

None that we are aware of.

### **Question 4**

**Should the regulations be more, or less prescriptive about potential members of the local pension boards or the Scheme Advisory Board?**

It is unclear within the proposal as to why from an employee representative's perspective, the Local Pension Board posts would be limited to existing employees rather than considering existing pensioners. This distinction is not made on the LGPS consultation.

### **Question 5**

**Is there an alternative funding mechanism for the Scheme Advisory Board which could be put in place rather than raising funds from scheme managers with the Secretary of State ensuring that the Board is delivering value for money?**

Our preference would be that there is no additional cost to fire & rescue authorities.

**Question 6**

**Do you consider that any groups with protected characteristics under equalities legislation are being disproportionately affected? If so, what do you consider to be the nature and scale of that disproportionate effect?**

No.