

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

12

MEETING DATE

15 July 2015

REPORT NUMBER

EFA/064/15

SUBJECT

Pension Governance and Administration

REPORT BY

Lindsey Stafford-Scott, Director of HR & Organisation Development

PRESENTED BY

Lindsey Stafford-Scott, Director of HR & Organisation Development

SUMMARY

The purpose of this report is to provide information to Members regarding the governance of pension arrangements within the Authority. In addition this report will update Members regarding the changes to the pension arrangements for Firefighters which happened in April 2015.

RECOMMENDATIONS

Members of the Audit, Governance and Review Committee are asked to:

1. Note the content of the report to update Members on the arrangements for the Fire Scheme Pension Board and the Local Government Pension Scheme Governance arrangements.
2. Note the content of the report and the activity in the first part of 2015 related to the effective introduction of the new Firefighters' Pension Scheme

BACKGROUND

Since April 2015, the Fire Service is the scheme employer for five pension schemes. The Firefighters' Pension Scheme 1992, the New Firefighters' Pension Scheme 2006, the Modified New Firefighters Pension Scheme (known as the Retained Modified scheme), the Firefighters Pension Scheme 2015 and the Local Government Pension Scheme 2014.

Members will recall that the Service made a decision to recruit to a new permanent role of Pensions Manager and the new employee, James Durrant, commenced on the 2nd March. This additional resource has provided the capacity that the Authority needs with regard to pension arrangements and administration.

The additional resource at the Local Government Association dedicated to Firefighter Pension Scheme issues has provided much needed support to all Fire Authorities in the day to day management of pension arrangements and has been invaluable in co-ordinating communications regarding the Firefighter Pension Scheme 2015 and the Retained Modified exercise.

The Firefighters Pension Scheme 2015

The new scheme came into effect on 1st April 2015. Employees who were members of the Firefighters Pension Scheme 1992 scheme or the New Firefighters Pension Scheme 2006 were either:

- 260 employees were protected in their existing scheme and therefore will not transition to the new scheme;
- 189 employees were taper protected in their existing scheme and will therefore transition to the new scheme at a defined date between May 2015 and April 2022; and
- 625 employees were unprotected members in that they transitioned to the new scheme on the 1st April 2015.

All employees received the correct treatment through the payroll system with regards to their pension status on the 1st April and in addition all members of the Firefighters schemes received an individual letter explaining their status under the new scheme.

Information has been distributed by all sites emails and is available on the Service intranet and the feedback on the communications regarding the scheme has been favourable. Information regarding the new scheme from the Local Government Association and the Department for Communities and Local Government is acted upon when received.

The retained modified scheme

Since 2014 the Authority has been managing the arrangements for the introduction of a new national scheme which provides access to a modified pension scheme for retained firefighters employed by the Essex Fire Authority between 1st July 2000 and 5 April 2006. The deadline to complete this exercise was changed by a piece of emergency legislation from the 31st March 2015 and now has a completion date of 30th September 2015.

The Authority has written to 761 individuals setting out the terms of the scheme and seeking their expression of interest. Of these 244 individuals have responded and calculations are being provided to enable them to understand the cost of joining the scheme. The HR service and Essex Pension Fund has undertaken 6 out of hours briefing sessions to current and former retained firefighters to enable them to understand the new scheme and their options. These sessions have been extremely well received and the Authority has received approximately 150 elections to join the scheme to date.

Administering Authority arrangements

The Authority contracts with the Essex Pension Fund to provide the administering arrangements for the Fire Pension Schemes. This is managed by a Service Level Agreement which is negotiated annually. The Authority is content that the Service Level Agreement remains good value for money and there are good working relationships maintained between the two parties

Essex Pension Fund provides the administration for the Local Government Pension Scheme. The LGPS is a funded scheme and the cost of administering the scheme is borne by the scheme and the Fire Authority is a participating employer in the scheme.

Regional and national collaboration

Since January Essex Fire Authority has hosted and chaired four meetings of the Eastern Region Fire Officers Pension Group. The group consists of the representatives from eight other local authorities in the region including the London Fire Authority. This has been an excellent information sharing forum and collaboration in the development of resources and other efficiencies will be explored in the coming months.

The national technical working group for the Firefighter Schemes is a forum for administrators and employers to discuss technical aspects of current and pending legislation and how this should be interpreted and implemented. The Pensions Manager for the Fire Authority now is a member of this group.

Additional activity to note

The terms of reference for the external audit of pension arrangements within the Authority by KPMG will be completed soon with the activity to commence to a timescale agreed by both parties.

A pay, pensions and HR administration project will be launched shortly with the remit of overseeing the administration arrangements of both pay and pensions and specifically:

- To enable accurate and automated processing from the SAP system for the year-end pension information presented to Essex Pension Fund;
- To adopt clear, transparent processes between the Pensions, Payroll and HR Administration Departments; and
- Ensure all Departments are working compliantly with their respected governing bodies.

Pension Boards

April 2015 saw the introduction of Pension Boards for all Public Sector Pension Schemes. The regulations have set up two new bodies which will be made up of employer and scheme member representatives. The first of these two bodies is a national Scheme Advisory Board. The Boards' primary role is to provide the Secretary of State for the Department for Communities and Local Government with advice on desirable changes to the Scheme's regulation, when requested.

In addition at a local level a Pension Board should be formed by each fire and rescue authority. These local 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.

The draft terms of reference and administration arrangements for the Pension Board are attached at Appendix 1.

The regulations provide for an equal number of member and employer representatives. The Service has determined that there will be eight members of the Board which will be four employer representatives and four member (employee) representatives.

The membership of the Board will be as follows:

The employer side members will be Assistant Chief Fire Officer Paul Hill and Assistant Chief Fire Officer Dave Bill, a representative from Finance and a representative from Human Resources.

The employee side will consist of the following:

- A representative from the FBU, who is a member of a Firefighter Pension Scheme;
- A representative from the RFU, who is a member of a Firefighter Pension Scheme;
- A representative from FOA, who is a member of a Firefighter Pension Scheme; and
- A current employee who is a member of a Firefighter Pension Scheme.

Anyone appointed as a member representative should be in in scheme employment (i.e. currently employed as a firefighter and a member of the pension scheme) and remain in employment for the term of office. The term of office is proposed to be two years.

Scheme member representatives should have an interest in pensions, be able to demonstrate their capacity to attend, complete the necessary preparation for meetings and participate in training as required. The Service is currently undertaking the selection process to appoint the fourth employee representative to the Board.

A training programme for Board members will be developed to commence before the first meeting of the Board. It is hoped that regional collaboration will be possible in the provision of training to Board members.

The first meeting of the Board is likely to be held during July pending the availability of training from the Local Government Association.

Pension Board arrangements LGPS

The Essex Pension Fund has established the following Governance structure for the Local Government Pension Scheme:

- The Essex Pension Fund Strategy Board – currently known as the Essex Pension Fund Board; and
- The Essex Pension Fund Advisory Board – a new body established in line with the requirements of the 2013 Public Services Pension Act and subsequent LGPS Regulations for all LGPS Funds to have a Local Pension Board.

The Fire Authority was asked to nominate a representative for one of the Boards. As a small employer we are not however guaranteed a seat on either Board. Councillor Seagers has been our current representative on the Essex Pension Fund Board but confirmed he did not wish to be considered for a place on either of the above boards due to other commitments.

The Authority therefore nominated James Durrant, Pensions Manager, for a place on one of the Boards and confirmation will be available shortly with regard to the success of this nomination.

RISK MANAGEMENT IMPLICATIONS

There are risks inherent to the management of pension scheme arrangements. The regulations are complex and require some interpretation to ensure compliance and good practice. The steps outlined in this paper are designed to minimize the risks in the management of pension arrangements.

FINANCIAL IMPLICATIONS

The cost of the external audit arrangement will be funded from an SMB budget. Individual pension complaints. In accordance with any complaint about employment matters the cost of settling pension complaints will be assessed against the risk of on-going litigation

LEGAL IMPLICATIONS

Pension regulation is statutory and the duty of the Authority is to comply with regulation. It is recognized that complex regulation introduced with little lead in will pose a compliance risk. It is felt that the measures that Essex Fire Authority has put in place to date will mitigate this risk.

EQUALITY IMPLICATIONS

There are no equality implications associated within this report.

ENVIRONMENTAL IMPLICATIONS

A balance will be struck between the communication of pension information to individuals electronically and in paper format. The overriding need is to ensure that all employees have accessible information. It is recognised that for some a paper format may be more accessible.

APPENDIX 1

PENSION BOARD OF ESSEX COUNTY FIRE AND RESCUE SERVICE DRAFT TERMS OF REFERENCE

Statement of purpose

1. The purpose of the Board is to assist the Essex County Fire and Rescue Service in its role as a scheme manager of the Fire Fighters Pension Scheme. Such assistance is to:
 - (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and';
 - (b) ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

2. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members:
 - (a) Should act always in the interests of the scheme and not seek to promote the interests of any stakeholder group above another.
 - (b) Should be subject to and abide by the Essex County Fire and Rescue Service code of conduct

Membership

The Board will comprise an equal number of employer and member representatives with a minimum requirement of no less than four in total.

Member representatives

3. Four member representatives shall be appointed to the Board.
4. Member representatives shall be employees of the Essex County Fire and Rescue Service and will remain an employee of the Essex County Fire and Rescue Service for the term of office and be members of the scheme administered by Essex County Fire and Rescue Service.
5. Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Employer representatives

6. Four employer representatives shall be appointed to the Board

7. Employer representatives shall be office holders or senior employees of Essex County Fire and Rescue Service or have experience of representing scheme employers in a similar capacity. Office holders or employees of Essex County Fire and Rescue Service with delegated responsibility for discharging the scheme manager function of Essex County Fire and Rescue Service may not serve as employer representatives.
8. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
9. Employer representatives shall be appointed by Essex County Fire and Rescue Service in a manner which it considers best promotes the purpose of the Board.

Other members

10. No more than eight other members shall be appointed to the Board by Essex County Fire and Rescue Service.
11. Any appointments of other members shall have regard to the best interests of the purpose of the Board

Appointment of chair

12. The Essex County Fire and Rescue Service shall appoint an Essex County Fire and Rescue Service appointed chair.
13. The duties of the chair should be in accordance with the duties of a chair within Essex County Fire and Rescue Service.

Notification of appointments

14. On appointment to the Board Essex County Fire and Rescue Service shall publish the name of the appointees, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Conflicts of interest

15. All members of the Board must declare to Essex County Fire and Rescue Service on appointment, and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
16. On appointments to the Board and following any subsequent declaration of potential conflict Essex County Fire and Rescue Service shall ensure that any potential conflict is effectively managed in line with both the internal procedures of Essex County Fire and Rescue Service and the requirements of the Pensions Regulators codes of practice on conflict of interest for Board members.

Knowledge and understanding (including Training)

17. Knowledge and understanding must be considered in light of the role of the Board to assist Essex County Fire and Rescue Service in line with the requirements outlined in section 2 above. The Board should establish and maintain a policy and framework to address the knowledge and understanding requirements that apply to Board members. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
18. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
19. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Term of office

20. Term of Office shall be two years.
21. Board membership may be terminated prior to the end of the term of office due to:
 - (a) A member representative appointed on the basis of their membership of the scheme no longer being a member of the scheme
 - (b) A member representative no longer being a member of the body on which their appointment relied
 - (c) A member representative no longer being employed by the Essex County Fire and Rescue Service
 - (d) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied
 - (e) The representative no longer being able to demonstrate their capacity to attend and prepare for meetings or to participate in required training.

Meetings

22. The Board shall as a minimum meet twice a year.
23. The Chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

24. A meeting is only quorate when at least 50% of both member and employer representatives are present including the chair or deputy chair.

Voting

25. The Chair shall determine when consensus has been reached.
26. Where consensus is not achieved this should be recorded by the Chair.
27. In support of its core functions the Board may make a request for information to the Director of HR and OD, as officer with delegated scheme manager functions with regard to any aspect of the scheme manager function. Any such a request should be reasonably complied with in both scope and timing.
28. In support of its core functions the Board may make recommendations to the Director of HR and OD, as the officer with delegated scheme manager which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Interpretation

29. In these terms 'the Scheme' means the Firefighters' Pension Schemes.
30. In these terms 'regulations' include the Firefighters' Pension Scheme 1992, as amended, the Firefighters' Pension Scheme 2006, as amended, the Firefighters' Pension Scheme Regulations 2014 as amended, the Pension Regulators Codes of Practice as they apply to the scheme manager and pension board and any other relevant legislation applying to the Scheme.

Version - March 2015

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper: Draft terms of reference for Fire Schemes Pension Board	
List of background documents (not attached):	
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