

Workforce Report - Scheme Advisory Board

Purpose of the Report

For the Fire Services Management Committee to consider the appropriate employer representation on the Scheme Advisory Board.

Summary

This paper provides the background to the Scheme Advisory Board requests the FSMC consider the appropriate selection method for employer representation.

Recommendation

FSMC to advise on appropriate selection method for employer representation of the Scheme Advisory Board.

Actions

As directed by members.

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Background

1. The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015¹ were laid before Parliament on 5 March and set out the new governance arrangements for the Firefighters' Pension Scheme ("Scheme"). The regulations came into force on 1 April 2015 and amend the main Firefighters' Pension Scheme (England) Regulations 2014 ("the Regulations") by inserting the new governance provisions.
2. The governance regulations create two boards a Local Pension Board and Scheme Advisory Board; the Local Pension Board must be established by the Scheme Manager, whereas the Scheme Advisory Board is established by the regulations.
3. The function of the Scheme Advisory Board is to provide advice as requested by the Secretary of State on the desirability of making changes to the Scheme and also to provide advice to the Scheme Managers and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme.
4. Regulation 4F requires the Secretary of State to appoint a minimum of two and a maximum of 14 members to the Scheme Advisory Board with equal representation of persons representing the interests of scheme employers and persons representing the interests of members.
5. In her letter dated 13 January 2015, the Fire minister wrote to the four trade unions, confirming that in the absence of an agreed position of member representation the Secretary of State would proceed to appoint a board of 7 scheme member representatives.
6. In order to achieve equal representation, the Secretary of State will appoint 7 employer representatives.
7. The new Fire Minister Mark Francois will now be asked to start the recruitment process for a Scheme Chair and begin the appointment process, it is advised the FSMC consider the appropriate employer representation.

Function of the Scheme Advisory Board

8. The Scheme Advisory Board is responsible for providing advice:
 - 8.1 In response to a request from the Secretary of State on the desirability of making changes to the Scheme and any connected scheme
 - 8.2 To the Scheme Managers and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme and any connected schemes.

¹ <http://www.legislation.gov.uk/ukSI/2015/465/regulation/4/made>

8.3 In both cases, the Secretary of State and Scheme Managers or Local Pension Boards (as appropriate) must have regard to advice issued by the Scheme Advisory Board in accordance with section 7(3) of the 2013 Act.

Funding and allowances

9. Regulation 4E(4) of the Firefighters' 2014 Regulations provides that payment of remuneration and expenses is a matter for the Scheme Advisory Board to determine.
10. Regulation 4H(1) provides that the Scheme Advisory Board must prepare an annual budget for approval by the Secretary of State.
11. Regulation 4H(2) provides that the expenses of the Scheme Advisory Board as determined by the board in the approved budget are to be defrayed by scheme managers.
12. Therefore any expenses and allowances are to be determined by the board itself once in place, and agree the budget with the Secretary of State.

Who can be a member?

13. Regulation 4G(1) determines that before appointing any person to be a member of the advisory board, the secretary of state must be satisfied that the person does not have a conflict of interest.
14. For the purposes of a member of the Scheme Advisory Board a 'conflict of interest' is defined in section 7(5) of the 2013 Act² as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the board.
15. Further guidance on 'Conflict of Interest' can be found on paragraphs 5.15 to 5.18 of the attached guidance
16. The regulations do not place any requirement on a scheme advisory board member to 'have the capacity to represent the employer' in the same way that members of the local pension board do, but it is reasonable to follow the guidance on appointing Local Pension Board members.
17. Paragraphs 2.16 to 2.19 of the Guidance on the creation and operation of Local Pension Boards in England determine:

"2.16 It will be important to appoint members who have the relevant experience as well as time to commit to attending meetings and effectively representing employers and members (as appropriate).

2.17 Relevant experience may include (without limitation) being a member of the Scheme or having experience of representing scheme members in a similar situation for example being a member or trustee of a private sector defined benefit pension scheme.

² <http://www.legislation.gov.uk/ukpga/2013/25/section/7>

2.18 The Regulations specify that the Scheme Manager must be satisfied that any person it wishes to appoint as a member of a Local Pension Board does not have a conflict of interest and that once appointed continues not have a conflict of interest.

2.19 An individual's ability to properly represent the interests of employers or members (as appropriate) and channel information back to those persons effectively should also be a key factor in selecting members of the Local Pension Board. This needs to take account of the wide range of membership to ensure all employers and all members are represented."

Frequency of meetings

18. In accordance with the regulations the Scheme Advisory Board may determine its own procedures and have the power to do anything which is calculated to facilitate the discharge of any of its functions.
19. There is no legislative requirement on the number of meetings, however in order to meet its responsibilities it is advised the board consider at least quarterly meetings.

Knowledge and Understanding

20. The legislative requirements about knowledge and understanding only apply to pension board members. However, Scheme Advisory Board members should take account of this guidance as it will support them in understanding the legal framework and enable them to help pension board members to meet their legal obligations.
21. Paragraphs 34 to 60 of the Pension Regulator Code of Practice 14³ cover in detail the knowledge and understanding requirements.
22. In order to meet the functions of the Scheme Advisory Board, the board members can agree a training plan.

Appropriate Selection Method

23. The Fire Services Management Committee should now consider an appropriate selection method for the 7 employer representatives.
24. The FSMC should consider who would be best placed to provide nominations of people with experience of Fire responsibilities, and who meet the criteria to take account of the wide range of membership to ensure all employers and all members are represented, i.e. ensuring that all the different types of Fire Authority are sufficiently represented
25. Suggested groups that might be approached are;
 - 25.1 LGA Political Groups
 - 25.2 Fire Authority political groups
 - 25.3 Fire Services Management Committee

³ <http://www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf>

Other guidance

26. The Pensions Regulator's Code of Practice note 14 Governance and Administration of public service pension schemes.

<http://www.thepensionsregulator.gov.uk/docs/code-14-publicservice.pdf>

The Pensions Regulator's website:

<http://www.thepensionsregulator.gov.uk/public-serviceschemes/introduction-to-public-service-pensionschemes.aspx>

The Pensions Regulator's Pension Board member toolkit:

<https://trusteetoolkit.thepensionsregulator.gov.uk/>