



Committee report

Committee	FULL COUNCIL
Date	14 OCTOBER 2015
Title	FIREFIGHTERS PENSION SCHEMES – GOVERNANCE ARRANGEMENTS
Report of	HEAD OF LEGAL SERVICES AND MONITORING OFFICER

EXECUTIVE SUMMARY

1. This paper seeks to clarify the terms of reference for the Isle of Wight Pension Fund Committee to include decisions in relation to the Firefighters Pension Scheme (FPS), and subsequently to seek nominations for two elected members (other than members of the Pensions Committee) to be employer representatives on the Fire Pension Board.

BACKGROUND

2. At its meeting on 25 February 2015, the council agreed to the formation of a local Pension Board for the FPS, including the draft terms of reference for that board. The terms of reference include provision for the composition of the board membership to be:
 - a. two employer representatives, who may be councillors or officers of the Fire 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.
 - b. two scheme member representatives, who may be either currently employed by, previously employed by and eligible for a future pension from, or in receipt of a pension from, the Isle of Wight Fire and Rescue Service.
3. The purpose of the board is to assist the council, as the local pension administering body and scheme manager, to ensure compliance with the FPS regulations and review the decisions made by the council in its role as the fire authority, in accordance with Firefighters' Pension Scheme (England) Regulations 2014 (as amended).
4. Although the FPS is a national scheme, and the fund itself is managed by Department for Communities and Local Government (DCLG), there are local discretions which can be exercised, making it a locally administered scheme.

As a result, the council, as the scheme manager, is required to establish a pension board to assist with the effective management and administration of the pension scheme.

5. In order to clarify the governance arrangements for the FPS, and to ensure that councillors are eligible to be members of the Fire Pension Board, it is proposed that full council delegate authority for the exercise of local discretions in respect of the FPS to the existing Isle of Wight Pension Fund Committee, an established section 101 committee of the council, which currently governs the council's Local Government Pension Scheme.
6. The proposed revision to the terms of reference for the Isle of Wight Pension Fund Committee is to include clarification that the council, as scheme manager, has chosen to delegate decision making relating to the firefighting pension scheme to the pension committee to cover the exercise of local discretions under the FPS, and the monitoring of the administration of the FPS. It is proposed that the terms of reference include the following reference, *"To exercise all discretionary functions of a pension scheme manager including those relating to the fire pension scheme."*

NOMINATION OF EMPLOYER REPRESENTATIVE MEMBERS TO THE FIRE PENSION BOARD

7. Once the exercise of local discretions is delegated to the pension fund committee, then any elected member who is not a member of that committee (currently Councillors Ivor Warlow (Chairman), Reg Barry, Bob Blezzard, David Eccles, Stuart Hutchinson, Gordon Kendall, Daryll Pitcher) could validly be selected to be an employer representative on the Fire Pension Board.
8. Should the exercise of local discretions not be delegated, then no elected members would be eligible to be selected as an employer representative on the Fire Pension Board, and these positions would need to be selected from officers of the council who are not involved in the administration and management of the fire pension scheme.
9. Accordingly, nominations for two employer representative members of that board are sought.
10. The two scheme member representatives will be selected from active, deferred and retired firefighters, via a ballot process.

STRATEGIC CONTEXT

11. Good governance arrangements are essential to the delivery of the council's services and the decision making processes that support this.

FINANCIAL / BUDGET IMPLICATIONS

12. There are no direct financial implications from the amendment of the Isle of Wight Pension Committee's terms of reference, or from the nomination of two councillors as employer representatives on the Fire Pension Board.

LEGAL IMPLICATIONS

13. The Isle of Wight Council, through full council, is the scheme manager for the purposes of the firefighters pension scheme. This report seeks to clarify that it has chosen to delegate responsibility for decision making to the pension committee.
14. The establishment and governance requirements of a separate firefighters' local pension board is required by the Firefighters' Pension Scheme (England) Regulations 2014.

EQUALITY AND DIVERSITY

15. The Isle of Wight Council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender reassignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnerships. The proposed constitutional changes are not considered to have any impacts upon the equality duties.

OPTIONS

16. In respect of the exercise of local discretions in respect of the FPS, the council has four options:
 - a. To amend the terms of reference of the existing pension fund committee by the addition of the following "*To exercise all discretionary functions of a pension scheme manager including those relating to the fire pension scheme*"
 - b. To establish an entirely separate pension fund committee purely for firefighters pension scheme.
 - c. To not agree to the delegation of the exercise of local discretions in respect of the FPS, and retain them as a full council (as FRA) decision.
 - d. To seek two employer representatives for the Fire Pension Board.

RISK MANAGEMENT

17. All the recommendations are to ensure that the council meets its corporate governance requirements and responds to changing legislative and regulatory requirements and demands.
18. The council is in compliance with The Firefighters' Pension Scheme (England) Regulations 2014 in having constituted the board in advance of the 1 April 2015 deadline. The first meeting has not yet been held due to the issues outlined above in determining the current governance arrangements for the FPS on the Isle of Wight, and establishing whether elected members can in fact sit on the board as employer representatives.
19. Taking steps to review the governance arrangements, by delegating the exercise of local discretions to an existing committee, will be seen as positive by the Pensions Regulator, who has been charged with overseeing and

regulating the governance and administration of public service schemes in the UK.

20. Should the Isle of Wight Firefighters Pension Scheme be deemed not to be in compliance with the Act and subsequent regulations, the Pensions Regulator has the powers to intervene to enforce compliance.

EVALUATION

21. In agreeing to delegate the exercise of local discretions to the pension fund committee the council is ensuring that its responsibilities as scheme manager of the FPS will be appropriately discharged, and that other elected members have the opportunity to sit on the pension board to assist the council, as FRA, in ensuring that the scheme is properly administered and governed. This will also ensure that the requirements of the regulations are complied with.
22. Should the council not agree to the delegation of these decisions, then detailed reports on the fire pension scheme will have to be presented to full council on a regular basis, including membership, administration standards and any decision on the exercise of local discretions.
23. This would also mean that there would be no capacity for elected members to sit on the fire pension board and have input into the assurance of correct administration and governance of the scheme. If this was the case, then officers of the council (who are not involved in the administration and management of the fire pension scheme) would need to be selected as members of the board.

RECOMMENDATION

24. To amend the terms of reference of the existing pension fund committee by the addition of the following "*To exercise all discretionary functions of a pension scheme manager including those relating to the fire pension scheme.*"
25. Subject to the approval of recommendation 1, to seek two employer representatives for the Fire Pension Board.

BACKGROUND PAPERS

26. Establishment of a local Fire Fighters Pension Board – Full Council 25 February 2015, paper C
<https://www.iwight.com/Meetings/committees/mod-council/25-2-15/Paper%20C.pdf>
27. The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/362724/Firefighter_Pensions_Governance_Regulations_2015_-_draft.pdf

28. Terms of Reference for Isle of Wight Pension Fund Committee – Article 11,
Isle of Wight Council Constitution
<https://www.iwight.com/documentlibrary/view/council-constitution1>

Contact Point: Jo Thistlewood, Technical Finance Manager, ☎ 821000
e-mail *jo.thistlewood@iow.gov.uk*

HELEN MILES
*Head of Legal Services and Monitoring
Officer*